

Follow The Hedgers

eResearch Corporation is pleased to provide an article by Keith Richards of **VALUETREND**.

In this article, Mr. Richards looks at the action of hedgers in the commodities sector.

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Tuesday, June 12, 2018

Follow The Hedgers

By: Keith Richards (bio at end)

Just a quick blog today given my hectic schedule this week. The good news is that I am going to get right to the point. No waxing eloquent on today's blog! Here goes:

I was interested in viewing what hedgers were doing around a few of the primary commodities trades. Commercial hedgers are considered "smart money".

Sentimentrader.com provides us with today's charts.

The **red** dashed lines on the charts indicate a "crowded trade" where commercial hedgers are net short while others are long.

That is a bearish sign, given their propensity for accuracy.

The **green** line means they are net long. Follow the smart money—if the hedgers are long, you want to be long, or be wrong!!

Here are the charts of a few select commodities taken directly from sentimentrader.

I am only looking at commodities showing high hedging or long positions indicating bullish or bearish outlooks by the commercial hedging community.

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Crude oil

Coming off a net short position by the hedgers (bearish)—you can see that, in other years when this has occurred, the trend for oil went bearish for a while. Current conditions suggest a few more bucks downside for oil based on historic patterns on this chart.

(BW: The chart below is as posted on the ValueTrend website. It seems to be missing a comment, and the bottom part of the chart. I looked for the chart on the Investing Daily website, but I could not find it.)



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Copper

Most of the metals are doing almost nothing lately – and hedgers are not taking extreme positions on either side of the trade.

The two exceptions to that might be copper and platinum (discussed next). Copper is coming off of an “almost” bearish high-hedge ratio by the commercial guys. So far the price is not moving violently down, but it is something to keep an eye on.

Copper Hedgers Position



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Platinum

The only other commodity that I could see in a bullish commercial hedgers zone (i.e. where hedgers are net long in a big way... aka the "green line") was platinum. Seasonality for platinum starts to get interesting in the late fall. This suggests that platinum might be setting up for a bullish move later in the year or early next year as seasonality meets up with the bullish hedgers outlook.

Platinum Hedgers Position



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See **About The Author** on the following page.

ABOUT THE AUTHOR



ValueTrend Founder and Owner, Keith Richards, has been in the securities industry since 1990. ValueTrend manages over \$100 million through a discretionary investment service for high-net-worth clients.

Keith Richards has been in the securities industry since 1990 and is a highly regarded member of the small, exclusive community of Chartered Market Technicians in Canada. Mr. Richard's articles appear regularly in INVESTORS DIGEST, MONEYLETTER, GLOBE AND MAIL, and the TORONTO STAR newspapers.

His appearances on BNN Television have inspired producers to acknowledge him as **“one of [our] most accurate technical analysts.”** Mr. Richard's first book, SMARTBOUNCE: 3 ACTION STEPS TO PORTFOLIO RECOVERY, is available in bookstores and directly through his blog page www.valuetrend.ca/blog/. His second book, SIDEWAYS: USING THE POWER OF TECHNICAL ANALYSIS TO PROFIT IN UNCERTAIN TIMES was released in late 2011. He has been critical of the commission-based, follow-the-pack approach to investing – where brokers succeed regardless of performance.

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