



COT Report Analysis

Week Ending Tuesday 23rd February

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| AUD COT Report - Futures | | | | | | |
|---|--------------------------|-----------|---|--------|---------|--------|
| Large Speculators | | | Commercials | | Total | |
| Long | Short | Spreading | Long | Short | Long | Short |
| 72,523 | 62,948 | 2,275 | 25,907 | 30,500 | 100,705 | 95,723 |
| Change From Prior Reporting Period | | | | | | |
| 5,783 | -985 | 674 | -514 | 9,387 | 5,943 | 9,076 |
| Traders | | | | | | |
| 20 | 39 | 9 | 17 | 17 | 44 | 58 |
| Small Speculators | | | | | | |
| | Long | Short | Open Interest | | | |
| | 18,821 | 23,803 | 119,526 | | - | |
| | 2,136 | -997 | 8,079 | | - | |
| | non reportable positions | | Change From The previous Reporting Period | | | |
| COT AUD Report as of Tuesday, February 23, 2016 | | | | | | |

Large speculators added another 5,783 long contracts and trimmed their short contracts by 985. This bullish action caused their net position to become long 9,575 contracts now. The last time large commercials had this amount of net long positioning was back in late September 2014 when they were in a rush to liquidate their longs after a massive bearish plunge had started. Now the unsettled long contracts held by large speculators make up 61% of all the open interest on AUD. This had not had happened since September of 2014 when AUD started a terrible bearish decline from 0.93 levels. It should also be noted that COT Index for commercials stands at the overbought 100 level for three weeks now which implies bearish warning on Aussie.

On the other hand, commercials sold 514 long contracts and added new 9,387 short contracts. In other words, commercials' short positions increased by 44.5%. This is very bearish, since the smart money is now net short on Aussie for the first time since April 8th of 2014. The COT Index for commercials has become zero since two weeks ago and remained at that very bearish level for this week as well.

Verdict:

Strongly bearish

| GBP COT Report - Futures | | | | | | |
|---|--------------------------|-----------|---|---------|---------|---------|
| Large Speculators | | | Commercials | | Total | |
| Long | Short | Spreading | Long | Short | Long | Short |
| 35,479 | 68,547 | 5,463 | 198,292 | 145,504 | 239,234 | 219,514 |
| Change From Prior Reporting Period | | | | | | |
| -1,033 | -4,220 | 514 | -5,827 | -1,056 | -6,346 | -4,762 |
| Traders | | | | | | |
| 26 | 39 | 9 | 22 | 37 | 50 | 83 |
| | Small Speculators | | | | | |
| | Long | Short | Open Interest | | | |
| | 17,980 | 37,700 | 257,214 | | - | |
| | 2,911 | 1,327 | -3,435 | | - | |
| | non reportable positions | | Change From The previous Reporting Period | | | |
| COT GBP Report as of Tuesday, February 23, 2016 | | | | | | |

Large speculators, in contrast with the week ending 16th February, decreased their overall exposure to GBP last week by selling almost 1K long contracts and covering 4,220 short contracts. Now the large funds are more than 33K contracts net short which shows that even though fund managers are still very bearish on Cable, the degree of their bearish view on this currency has not increased in spite of renewed Brexit fears last week. Indeed, the large funds were much more bearish on Cable back in late January when they were net short more than 47.5K contracts. The COT Index for large funds stands at 26.27 which shows the degree of pessimism on Sterling is fading among the fund managers. When fund managers fail to sell more on bad news, it is time to prepare for going long. Another point worth of notice is that now the long contracts held by large funds constitutes a mere 14% of all open interest. The last time this happened was back at June and July of 2013 which preceded the 1-year long, uninterrupted bullish trend which took Sterling about 2200 pips higher.

The behavior of commercials is less understandable. We expected the commercials to add to their long contracts at lower levels but they actually liquidated a part of their longs for the second consecutive week and this time by a large amount: 5,827 contracts. Even though, they still hold an exceptionally large number of long contracts which constitutes 77% of all the open interest on Cable. Indeed they had not had this amount of long contracts since March of 2013, right at the time that the first base of the double bottom pattern formed which preceded a massive +2200 pips rally. The good point is that the smart guys also covered more than 1K of their shorts as well. We caution waiting one or two more weeks to see what will these players will do now that Cable is trading at multi-decade support area. Obtaining the next COT report will show whether a massive rally is underway or more waiting is warranted.

Verdict:

Cautiously bullish

| CAD COT Report - Futures | | | | | | |
|---|--------|---|-------------|--------|---------|---------|
| Large Speculators | | | Commercials | | Total | |
| Long | Short | Spreading | Long | Short | Long | Short |
| 31,487 | 68,427 | 2,443 | 100,612 | 57,111 | 134,542 | 127,981 |
| Change From Prior Reporting Period | | | | | | |
| 2,410 | -5,735 | 123 | -3,192 | 5,694 | -659 | 82 |
| Traders | | | | | | |
| 19 | 30 | 12 | 20 | 24 | 43 | 62 |
| Small Speculators | | | | | | |
| Long | Short | Open Interest | | | | |
| 23,379 | 29,940 | 157,921 | | - | | |
| -28 | -769 | -687 | | - | | |
| non reportable positions | | Change From The previous Reporting Period | | | | |
| COT CAD Report as of Tuesday, February 23, 2016 | | | | | | |

Large speculators added 2,410 long contracts and covered 5,735 short contracts. This meant that they are now net short on Canadian dollar almost 40K contracts. Even though the large funds have trimmed their short exposure from 108K contracts at the end of 2015 to 68,427 contracts now, they have still a considerable amount of short contracts amassed and there is further room for short covering to continue, especially with the COT Index for funds at 61.09 level; way below the overbought 100 level.

On the other hand, commercials sold 3,192 number of their long contracts and added new 5,694 short contracts. They are now 43,510 contracts net long. The COT Index for commercials now stands at 22.83, which means they are less interested in buying the Loonie at these levels. On the other hand, commercial short positions now constitute 36% of all open interest. This figure has been crawling upward since the start of the year but has yet to exceed the critical 50 level. The fact that commercials net position reduced almost 9K from last week indicates that the downward pressure on USDCAD is beginning to decrease, even though it doesn't seem to be finished yet.

Verdict:

Neutral

| EUR COT Report - Futures | | | | | | |
|---|--------------------------|-----------|---|---------|---------|---------|
| Large Speculators | | | Commercials | | Total | |
| Long | Short | Spreading | Long | Short | Long | Short |
| 107,566 | 154,423 | 7,678 | 258,954 | 205,427 | 374,198 | 367,528 |
| Change From Prior Reporting Period | | | | | | |
| -6,404 | -7,752 | -115 | -42 | 195 | -6,561 | -7,672 |
| Traders | | | | | | |
| 59 | 84 | 36 | 53 | 56 | 128 | 160 |
| Small Speculators | | | | | | |
| | Long | Short | Open Interest | | | |
| | 48,426 | 55,096 | 422,624 | | - | |
| | -812 | 299 | -7,373 | | - | |
| | non reportable positions | | Change From The previous Reporting Period | | | |
| COT EUR Report as of Tuesday, February 23, 2016 | | | | | | |

Large speculators continued their short-covering mission last week, reducing their short exposure by 7,752 contracts. They also sold 6,404 long contracts but it should be noted that at 107,566, large speculators' long contracts stand at very elevated levels. Indeed this group has the largest long contracts amassed since May 6th of 2014 when the single currency was trading almost 2700 pips higher and just days before ECB announced its historic decision to implement stimulus packages. The COT Index for large speculator group has remained at the overbought 100 level for the second consecutive week, first time since late October 2015, again just before Draghi et al crushed the EURO bull camp by promising further stimulus in December (which never happened anyway).

Commercials, after heavy activity last week were almost dormant this week. They sold a mere 42 of their longs and added just 195 new shorts. Now the commercials have 205,427 open short contracts which is an all-time record since the single currency formed. The ratio of commercial short contracts to all the open interest stands at 49%, matching the March 18th of 2014 reading, in the weeks leading to the early May 2014 top. The COT Index for commercials stands at zero level for the third consecutive week, indicating intense selling interest.

Verdict:

Strongly bearish

| JPY COT Report - Futures | | | | | | |
|---|--------|---|-------------|---------|---------|---------|
| Large Speculators | | | Commercials | | Total | |
| Long | Short | Spreading | Long | Short | Long | Short |
| 92,376 | 39,642 | 2,934 | 131,150 | 188,392 | 226,460 | 230,968 |
| Change From Prior Reporting Period | | | | | | |
| 7,858 | 3,025 | 134 | -676 | 5,107 | 7,316 | 8,266 |
| Traders | | | | | | |
| 45 | 39 | 17 | 24 | 35 | 77 | 83 |
| Small Speculators | | | | | | |
| Long | Short | Open Interest | | | | |
| 30,604 | 26,096 | 257,064 | | - | | |
| 763 | -187 | 8,079 | | - | | |
| non reportable positions | | Change From The previous Reporting Period | | | | |
| COT JPY Report as of Tuesday, February 23, 2016 | | | | | | |

Large speculators continued building long exposure to Yen. They added new 7,858 long contracts last week and now have more 92K open long contracts. The last time the large funds had this elevated amount of long contracts on Yen was back in March 2008 and in the height of pessimistic atmosphere on world economy. USD/JPY made a bottom 2 weeks later and rallied more than 15% in 5 months. On the short side, large funds added new 3K short contracts. In spite of this increase in short building, large funds' short positions now make up just 15% of all open interest. The COT Index for large funds now stands at 100 level which warns of overbought levels.

Commercials reduced slightly their long contracts by selling 676 contracts. On the other hand, they added a large amount of 5,107 new short contracts. Now commercials have amassed more than 188K short contracts. The last time they had this massive amount of short contracts was also back in March of 2008 which we mentioned above. Commercial short positions now make up 73% of all open interest which implies this camp is heavily biased to the short side.

Verdict:

Mildly bearish

| CHF COT Report - Futures | | | | | | |
|------------------------------------|--------|---------------|---|-------|--------|--------|
| Large Speculators | | | Commercials | | Total | |
| Long | Short | Spreading | Long | Short | Long | Short |
| 20,213 | 22,534 | 1,593 | 18,730 | 4,856 | 40,536 | 28,983 |
| Change From Prior Reporting Period | | | | | | |
| 72 | -1,973 | 172 | 1,301 | -515 | 1,545 | -2,316 |
| Traders | | | | | | |
| 6 | 13 | 7 | 11 | 10 | 22 | 25 |
| Small Speculators | | | | | | |
| Long | Short | Open Interest | | | | |
| 7,302 | 18,855 | 47,838 | | - | | |
| -2,271 | 1,590 | -726 | | - | | |
| non reportable positions | | | Change From The previous Reporting Period | | | |
| | | | COT CHF Report as of Tuesday, February 23, 2016 | | | |

Large speculators retained their long contracts almost intact by adding a mere 72 new longs and instead covered near 2K of their shorts. Reluctance of large funds to reduce their large number of long contracts is remarkable as at 20,213, the number of long contracts held by this group is very elevated in historical terms and makes up 42% of all open interest. At the same time, large funds' short contracts stands at 22.5K contracts which is also very high.

Commercials have added 1,301 new long contracts which is considerable, while covering 515 of their existing shorts. There is clear divergence on commercials' views on EURO and Franc. They are visibly more bearish on EURO than on Franc and this might make a case for selling opportunities on EUR/CHF in the weeks ahead.

Verdict:

Mildly bearish

| GOLD COT Report - Futures | | | | | | |
|--|--------------------------|-----------|---|---------|---------|---------|
| Large Speculators | | | Commercials | | Total | |
| Long | Short | Spreading | Long | Short | Long | Short |
| 227,381 | 82,403 | 47,607 | 120,854 | 284,003 | 395,842 | 414,013 |
| Change From Prior Reporting Period | | | | | | |
| 18,280 | -9,338 | 1,367 | -6,946 | 24,219 | 12,701 | 16,248 |
| Traders | | | | | | |
| 178 | 112 | 89 | 45 | 56 | 266 | 218 |
| | Small Speculators | | | | | |
| | Long | Short | Open Interest | | | |
| | 49,448 | 31,277 | 445,290 | | - | |
| | 3,677 | 130 | 16,378 | | - | |
| | non reportable positions | | Change From The previous Reporting Period | | | |
| COT GOLD Report as of Tuesday, February 23, 2016 | | | | | | |

Large speculators continue to increase their bullish bets on gold aggressively. They added 18,280 new longs while selling more than 9K of their old shorts. This made large funds being almost 145K net long. Even though this amount looks elevated, but in its historical context large funds have not exhausted their buying power yet. Back in late October 2015, funds were more than 157K contracts net long and then gold was trading much lower than now. This leaves some room for further bullish action in gold as COT Index for funds is standing at 91.57, still below the overbought 100 level.

Commercials sold near 7K of their longs and initiated a massive amount of 24,212 new shorts which is outstanding. In spite of this bearish action, short contracts held by commercials is much less than the amount they had back in late October and this is while the gold has surpassed its October peak. This is very bullish as it shows that commercials think that they can sell at even higher prices.

Verdict:

Bullish

| CRUDE OIL COT Report - Futures | | | | | | |
|--|--------------------------|-----------|---|---------|-----------|-----------|
| Large Speculators | | | Commercials | | Total | |
| Long | Short | Spreading | Long | Short | Long | Short |
| 533,268 | 327,412 | 549,808 | 601,482 | 814,711 | 1,684,558 | 1,691,931 |
| Change From Prior Reporting Period | | | | | | |
| 15,328 | -31,541 | -32,516 | -38,077 | 6,157 | -55,265 | -57,900 |
| Traders | | | | | | |
| 121 | 147 | 169 | 102 | 109 | 324 | 344 |
| | Small Speculators | | | | | |
| | Long | Short | Open Interest | | | |
| | 92,138 | 84,765 | 1,776,696 | | - | |
| | -8,090 | -5,455 | -63,355 | | - | |
| | non reportable positions | | Change From The previous Reporting Period | | | |
| OT CRUDE OIL Report as of Tuesday, February 23, 2016 | | | | | | |

Large speculators increased their long bets on oil by adding a considerable amount of 15,328 long contracts. On the short side, they covered more than 31.5K of their existing shorts. Overall, fund action indicates that they are now less pessimistic on oil than a week ago and this is reflected in an upward jump in their COT Index from 0 level last week to 44.21 level now.

On the other hand, commercials liquidated almost 38K of their longs and the same time they initiated 6K new short positions. Now commercials are about 213,229 contracts net short. Their long contracts are now at 601,482 which is very high.

Verdict:

Bullish

| DOW JONES COT Report - Futures | | | | | | |
|---|--------------------------|-----------|---|--------|--------|--------|
| Large Speculators | | | Commercials | | Total | |
| Long | Short | Spreading | Long | Short | Long | Short |
| 13,657 | 11,132 | 536 | 34,126 | 31,342 | 48,319 | 43,010 |
| Change From Prior Reporting Period | | | | | | |
| -9 | -2,867 | -665 | -4,481 | -2,730 | -5,155 | -6,262 |
| Traders | | | | | | |
| 19 | 17 | 4 | 33 | 23 | 53 | 43 |
| | Small Speculators | | | | | |
| | Long | Short | Open Interest | | | |
| | 9,585 | 14,894 | 57,904 | | - | |
| | 103 | 1,210 | -5,052 | | - | |
| | non reportable positions | | Change From The previous Reporting Period | | | |
| COT DOW JONES Report as of Tuesday, February 23, 2016 | | | | | | |

Large speculators reduced both their long and short exposure last week again. While they just sold 9 long contracts, their short covering was more meaningful; covering more than 2.8K of their old short. This short covering made the large funds net long 2,525 contracts. Even though, now funds have the least amount of bullish bets on Dow Jones since October 2011, just before DJIA started an uninterrupted bullish rally which lasted 4 years.

Commercials liquidated almost 4.5K of their old longs and also bought back 2.7K of their old shorts. This action is worrisome, as they offer less support to the index. Back in July and August of 2015, commercials reduced their short positions all the way down and this caused COT Index for them to reach 100 level until the stock market stabilized and started a decent rally. But this time, it seems that commercials are reluctant to buy at these levels as they probably want to buy at lower prices.

Verdict:

Bearish

| U.S. \$ INDEX COT Report - Futures | | | | | | |
|---|--------------------------|-----------|---|--------|--------|--------|
| Large Speculators | | | Commercials | | Total | |
| Long | Short | Spreading | Long | Short | Long | Short |
| 45,107 | 15,682 | 1,484 | 16,761 | 49,708 | 63,352 | 66,874 |
| Change From Prior Reporting Period | | | | | | |
| -1,663 | 254 | 440 | 1,483 | -746 | 260 | -52 |
| Traders | | | | | | |
| 66 | 28 | 11 | 11 | 9 | 83 | 45 |
| | Small Speculators | | | | | |
| | Long | Short | Open Interest | | | |
| | 5,906 | 2,384 | 69,258 | | - | |
| | -928 | -616 | -668 | | - | |
| | non reportable positions | | Change From The previous Reporting Period | | | |
| COT U.S. \$ INDEX Report as of Tuesday, February 23, 2016 | | | | | | |

Large speculators continued to sell their existing long contracts for the 4th consecutive week. Now large funds hold just 45.1K long contracts, lowest since late July 2014 and just before Dollar Index jumped and started a massive rally in the months ahead. The large fund retained their short positions almost intact by covering just a mere 254 contracts. The COT Index for large funds now stands at 4.85, truly and oversold reading.

Commercials on the other hand added new 1,483 long contracts and continued to trim their short contracts by covering 746 of their old shorts. This short covering has caused the COT Index for commercials to reach the bullish 100 level for the first time since October 20th when the Dollar Index rose sharply in the weeks ahead on dovish ECB talks on October 22nd.

Verdict:

Strongly bullish

Large speculators

| Large Speculators | | | | | Tuesday, February 23, 2016 | | | | | |
|-------------------|---------------|--------------|--|-------------|----------------------------|---------------------|--|-------------|------------------|--|
| | AUD Situation | | | | | CHF Situation | | | | |
| | Buy | Sell | | B/S | Buy | Sell | | B/S | | |
| AUD | 8.7% | -1.5% | | 115% | 0.4% | -8.1% | | 90% | CHF | |
| | GBP Situation | | | | | Gold Situation | | | | |
| | Buy | Sell | | B/S | Buy | Sell | | B/S | | |
| GBP | -2.8% | -5.8% | | 52% | 8.7% | -10.2% | | 276% | Gold | |
| | CAD Situation | | | | | Crude Oil Situation | | | | |
| | Buy | Sell | | B/S | Buy | Sell | | B/S | | |
| CAD | 8.3% | -7.7% | | 46% | 3.0% | -8.8% | | 163% | Crude Oil | |
| | EUR Situation | | | | | Dow Jones Situation | | | | |
| | Buy | Sell | | B/S | Buy | Sell | | B/S | | |
| EUR | -5.6% | -4.8% | | 70% | -0.1% | -20.5% | | 123% | Dow Jones | |
| | JPY Situation | | | | | USD Situation | | | | |
| | Buy | Sell | | B/S | Buy | Sell | | B/S | | |
| JPY | 9.3% | 8.3% | | 233% | -3.6% | 1.6% | | 288% | USD | |

Commercials

| Commercials | | | | | Tuesday, February 23, 2016 | | | | | |
|-------------|---------------|--------------|--|-------------|----------------------------|---------------------|--|-------------|------------------|--|
| | AUD Situation | | | | | CHF Situation | | | | |
| | Buy | Sell | | B/S | Buy | Sell | | B/S | | |
| AUD | -1.9% | 44.5% | | 85% | 7.5% | -9.6% | | 386% | CHF | |
| | GBP Situation | | | | | Gold Situation | | | | |
| | Buy | Sell | | B/S | Buy | Sell | | B/S | | |
| GBP | -2.9% | -0.7% | | 136% | -5.4% | 9.3% | | 43% | Gold | |
| | CAD Situation | | | | | Crude Oil Situation | | | | |
| | Buy | Sell | | B/S | Buy | Sell | | B/S | | |
| CAD | -3.1% | 11.1% | | 176% | -6.0% | 0.8% | | 74% | Crude Oil | |
| | EUR Situation | | | | | Dow Jones Situation | | | | |
| | Buy | Sell | | B/S | Buy | Sell | | B/S | | |
| EUR | 0.0% | 0.1% | | 126% | -11.6% | -8.0% | | 109% | Dow Jones | |
| | JPY Situation | | | | | USD Situation | | | | |
| | Buy | Sell | | B/S | Buy | Sell | | B/S | | |
| JPY | -0.5% | 2.8% | | 70% | 9.7% | -1.5% | | 34% | USD | |

DISCLAIMER

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