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Hot Rolled Futures: Market Smells a Turn or Market Just Smells?

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As is always the case when markets are depressed, it creates a divergence of opinion like at no other time. People either smell a turn or a rotten egg. The rumor of prices traded is as wide as one has ever heard it (I'll leave those levels to others to report what those are). Nonetheless the divergence of opinion causes great disparity in pricing discovery and the futures markets across the board have been very volatile (SP, Crude, USD, Copper, etc). Traders have literally never seen such a long period of incredibly high volatility in the markets. Hot Rolled (HR) and Iron Ore have experienced some gyrations as a result this last week albeit with a generally higher trend. Risk of volatility is sure to continue.

NYMEX HR:

The futures market has picked up in price and in activity this week. Despite spot prices that were declining daily in the last week, the futures prices all of a sudden caught a bid at \$650 for the Calendar Year '12 period. From there, a number of buyers jumped in front of those levels. Offers immediately backed off from their \$665/670 area and raised to \$695/705 area. Since then the buyers have trickled in at ever higher levels on the bid, culminating in a Cal '12 trade at \$695 earlier in the week, and 1st Half trades today \$690-695 area. Q1 also traded today either side of \$680.

Market suffers still from sporadic liquidity and the rule is still to take advantage of liquidity when it's there. I have attended recently the Steel Market Update conference at METALCON, CRU Conference in Chicago, and my latest Hedge workshop at the NYMEX in New York Wednesday, and I can say that it feels like the whole world is signing up for accounts in order to trade financially. This will be a very good thing for liquidity going forward. About 1260 lots or 25,200 ST has traded since last week. Market stable for now at these levels traded above.