



New Member Guide

By: The CMR Team

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THANK YOU!

If you are reading this guide, that means you have joined our Crowded Market Report (CMR) Community and you are here to learn and improve as a trader. We are thankful that you signed up to use our services and we do not take that lightly. The main goal of CMR is to teach traders, regardless of background, the importance of risk management, discipline and following your trading process. We also want to emphasize the importance of trader positioning based on the Commitment of Traders report, which serves as a great risk management tool.

The ultimate market discounting mechanism is market participation and not price – Jason Shapiro

We also welcome traders that have not joined our community yet and are reading this guide to learn more about the Crowded Market Report and what we have to offer. If you have any questions, please email crowdedmarketreport@gmail.com.

IMPORTANT DISCLAIMER

Crowded Market Report services and content are for **EDUCATIONAL** purposes only. We do not provide investment or trading advice. We provide traders with the knowledge and tools to help improve trading decisions that skew the reward/risk ratio in your favor, which may allow for positive returns over time. Our motto at CMR is ***“The slow road to the rich house”***, and we genuinely believe in that approach. If you are looking for a quick get rich approach to trading or a trade alerts service, then CMR is not for you.

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INTRODUCTION!

Since we started CMR in early 2021, Jason's goal has been to teach traders the good habits of successful long-term traders and to unteach bad habits that plague traders that lead to losing outcomes. If you are serious about trading and really want to improve then you should recognize if any of these items apply to you, whether good or bad. The first step is awareness, and the next step is improvement.

What makes a bad trader:

- They blame everyone else except their own actions. It is either the Fed or the market's fault.
- They take profits too quickly and do not let their winners run.
- They do not know how to cut losses quickly or they keep adding to losers.
- They use hope as a trading strategy.
- They have a large ego and care more about being right than making money.
- They do not use risk management and leverage their trades when they KNOW the trade will work.
- They have a fixed mindset and refuse to learn from mistakes.
- They treat trading like gambling and a way to get rich quickly.

What makes a good trader:

- They know how to cut losses quickly and exit winning trades based on their trading process.
- They accept that losing and being wrong are part of the game.
- They prioritize risk management over everything else to minimize losses.
- They follow their trading process regardless of personal bias.
- They are very accountable and do not blame anyone or anything else for their losses.
- They have a growth mindset and are willing to learn every day.
- They rely on discipline instead of hope to manage their trades.

Behavioral Biases

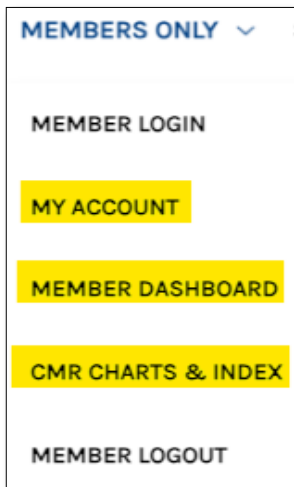
- **Recency Bias:** Too much weight on recent events
- **Anchoring Bias:** Anchor on first information and impressions.
- **Loss Aversion:** The feeling from losses is greater than feelings from equivalent gains.
- **Illusion of Skill:** The confusion of luck with skill - good decisions are skill; bad decisions are luck.
- **Illusion of Control:** The belief in having more control over events than reality.
- **Confirmation Bias:** The use of data and information to confirm current beliefs.
- **Regression Effect:** Give a cause-and-effect relationship when none exists.
- **Hindsight Bias:** In retrospect, events seem more predictable than in reality.
- **Halo Effect:** Forming a good or bad opinion; nothing in between or learning from experience.
- **Commitment Bias:** Staying committed to past behavior and opinions.
- **WYSIATI:** What you see is all there is - you will not consider what you don't know.

Five Things Every Trader Should Know

1. **Know the instrument that you are trading:** Stocks, Futures, Options. A trader needs to know how the instrument works when a trade is placed. Whether you are shorting a specific stock, taking a long position in S&P futures, or buying calls in Nvidia, a trader needs to understand that taking that trade means and will do to the instrument when the market moves.
2. **Know the statistics.** Overall, 95% of traders will lose money. We are not referring to long-term investors or people that are dollar-cost-average, but rather people who attempt to trade the markets to make money. In order to become part of the 5% you MUST have a process, discipline and be able to manage your risk.
3. **Understand and accept that the market is a discounting mechanism.** This basically means that all known information is already reflected in the asset price. For a trader to think that they know more than the market is a misconception, unless you are an inside trading which is illegal.
4. **Understand that making money trading is not about predicting the future,** it is about finding high reward/low risk trades. In other words, you make more money from winning trades than you do from losing trades. For example, when you win you make \$3 and when you lose you give up \$1, that means you can be wrong two out of three times and still make money.
5. **Understand the concept of finding an edge using a trading style that matches who you are.** This is not easy to do since it requires a great deal of research and learning. It took Jason ten years to find, develop and become successful as a contrarian trader. A trader can accelerate finding and being successful using their edge is also working on discipline, psychology and ability to take a loss.

NAVIGATING THE WEBSITE

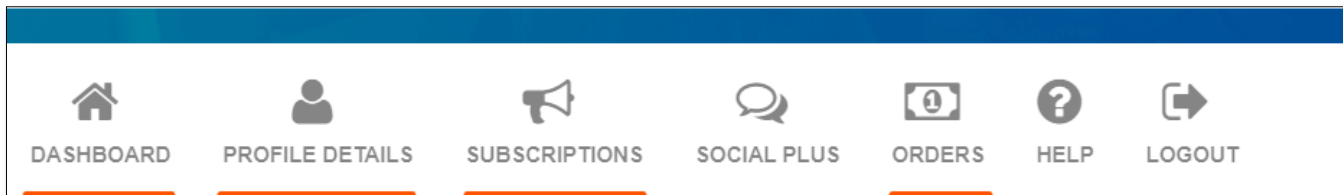
Members will be able to access exclusive content on the website by visiting the Member Only menu on the website and selecting each item:



MY ACCOUNT

<https://www.crowdedmarketreport.com/my-account-2/>

Members are able to access their profile at this link and make updates as needed.



DASHBOARD

Default view which provides access to all other areas of the account and instructions on how to cancel a membership.

PROFILE DETAILS

Change email, update demographics information and change password.

SUBSCRIPTIONS

List of current membership and option to upgrade membership. Ability to update payment information if payment through Stripe Connect.

ORDERS

History of membership orders.

MEMBER DASHBOARD

<https://www.crowdedmarketreport.com/member-dashboard/>

The member dashboard will provide you with links to all the important services and content we provide.

WEEKLY CMR REPORTS

Every single CMR will be posted on this page going back to our first report published in January 2021.

PRIVATE DISCORD SERVER

Instructions on how to join our private Discord community.

CMR CHARTS & INDEX

All CMR COT charts and index files will be posted on this page.

REQUEST ACCESS TO TRADINGVIEW INDICATORS

Instructions on how to request access to our exclusive COT charts and index indicators developed specifically for TradingView, which allows the member to view price, positioning and index all on one chart.

RESOURCES & EDUCATION

Links to helpful resources including the ETF list if a trader prefers to trade ETFs in lieu of Futures, books we recommend and links to multiple external websites that provide helpful information.

CMR CHARTS & INDEX

CMR CHARTS WEB

Link to the CMR COT Charts that include charts by category and by market.

CMR CHARTS EXCEL

Excel file that includes CMR COT charts for the top markets covered by CMR intended for quick review after the CFTC releases the new COT data every Friday.

WEEKLY CHARTS EMAIL

A link to the weekly email sent to Charts only members that includes COT Set Ups, Current Positions, Last Week's Trades and additional information depending on the week.

CHARTS MARKET KEY

Document that shows which market belongs to which category for CMR Charts Web navigation.

CMR COT INDEX

Excel file that includes CMR COT Index values presented in a heat map that compares week over week changes, and graphs displaying index values in different formats.

CONTRARIAN TRADING – THE CMR PROCESS

Don't Trade, Fade!

A quick way to summarize the CMR Trading Process is *Don't Trade, Fade!* It has become a CMR slogan meaning that rather than attempt to forecast and predict market direction, just go against the crowd when the majority of them agree on a trade, especially when it is known that most traders lose money in the long term. The goal is to wait for Speculators to become max crowded in a specific market and wait for price confirmation (aka news failure event) to enter the trade.

Contrarian trading does not always mean trading against the trend. In most instances, the goal is to pick a market where the trend has ended, but in some instances, it may mean buying alongside the trend, when the crowd attempts to pick the market turn rather than follow the trend (ex. Speculators sell into all-time highs). As mentioned, contrarian trading focuses on fading Speculators when they reach a max crowded level, followed by a news failure event. In other words, contrarian trading considers trader positioning (aka market participation) as the ultimate discounting mechanism, and not price. As seen by the October 2023 rally through the first quarter of 2024, any trader attempting to fade price simply because of overbought conditions and prices being too high, would have been run over. The goal of a pragmatic contrarian trader is to be on the other side of a crowded market, with a defined risk and a goal of taking high reward/low risk trades.

To execute a contrarian trade, it requires two components to be met which are equally important: **maximum market participation** and **market action confirmation**. Once a market has reached max market participation levels by Speculators, the market is now set up, where a news failure event would qualify entry of the trade. News failure event is defined as a news event for that specific crowded market where the price reacts in contrast to the news. For example, if a bullish news event occurs and the market ends the day down or in the red, then that is a news failure event.

Each trade has no guarantee of success, but provides a skewed reward/risk ratio, where over time, the winners should make up for the losers and generate positive returns. Historically, contrarian CMR trading based on COT Data is successful ~38% of the time and the winning rate of return is over three times the losing rate of return. This is based on a 0.7% risk per trade in the Futures markets. This trading strategy is a clear example that letting your winners run and cutting your losers quickly, even though losing trades outnumber winning trades, can generate alpha with discipline and risk management.

It should be noted that on occasion additional discretion is used to assess if the market is truly crowded. With the additional money supply provided by the Federal Reserve, markets may require a longer-term review for additional confirmation that the market has reached max crowded levels.

There are times where certain "Human COT Indicators" may play a role in decision making, where historically, this person has been wrong frequently and fading a position they placed or referenced may make sense if price action adds confirmation. Example, a pundit on CNBC states that Silver is a buy now, and historically they have been wrong, then shorting Silver may be a worthwhile trade if positioning is crowded or close to being crowded. On other occasions, if a known "fade" is on the same side of a CMR trade, then that trade may not be executed due to this person's performance and history of being wrong.

Lastly, it is critical to understand that Jason uses this trading process as a professional money manager and offers clients a strategy that has zero correlation to any other trading strategy out there. Jason's goal is to meet his clients expectations where he manages his allocation in such a manner that offers clients diversification, and when money is allocated to trend followers, Jason may have small losses or no active positions, and when those same trend following strategies are losing money or no longer working, Jason is able to capture alpha entering CMR trades that have a skewed reward/risk ratios and generating returns for the institutions invested with Jason.

MARKET PARTICIPATION: IDENTIFYING THE CROWD

Commitments of Traders (COT) Report

The COT is a weekly report published every Friday by the Commodity Futures Trading Commission (CFTC). The data reflects market participation as of the previous Tuesday's close.

For example, if a report is published on Friday, 01/05/2024, it would include market participation data from the end of the day Tuesday, 01/02/2023. The CFTC then reviews the data and publishes the report on Friday at 3:30pm ET unless there is a federal holiday that may delay the report until Monday. For more information on the COT report, you can visit the [CFTC website](#). Excerpt from the CFTC:

The Commodity Futures Trading Commission (Commission or CFTC) publishes the Commitments of Traders (COT) reports to help the public understand market dynamics. Specifically, the COT reports provide a breakdown of each Tuesday's open interest for futures and options on futures markets in which 20 or more traders hold positions equal to or above the reporting levels established by the CFTC.

There are many versions of the COT and the specific COT data used by CMR is the Futures Only Reports and it contains three main participants: Commercials (aka Comm_Positions on the report), Large Speculators (aka NonComm_Positions on the report), and Small Speculators (NonRept_Positions on the report). Total positions sum up to zero where Commercial positions equal the inverse total of Large and Small Speculators combined. This is an important note that will be referenced later as well, when attempting to interpret CMR COT charts. Commercial Traders minus Large Speculators minus Small Speculators equals zero. In other words, the total Commercial Traders' position represents the opposite position of Speculators combined.

Speculators are the traders we are attempting to fade once they reach extreme crowded levels. The idea again, is over time, they will be wrong when it comes to market direction, especially when most of the Speculators are on the same side of the trade.

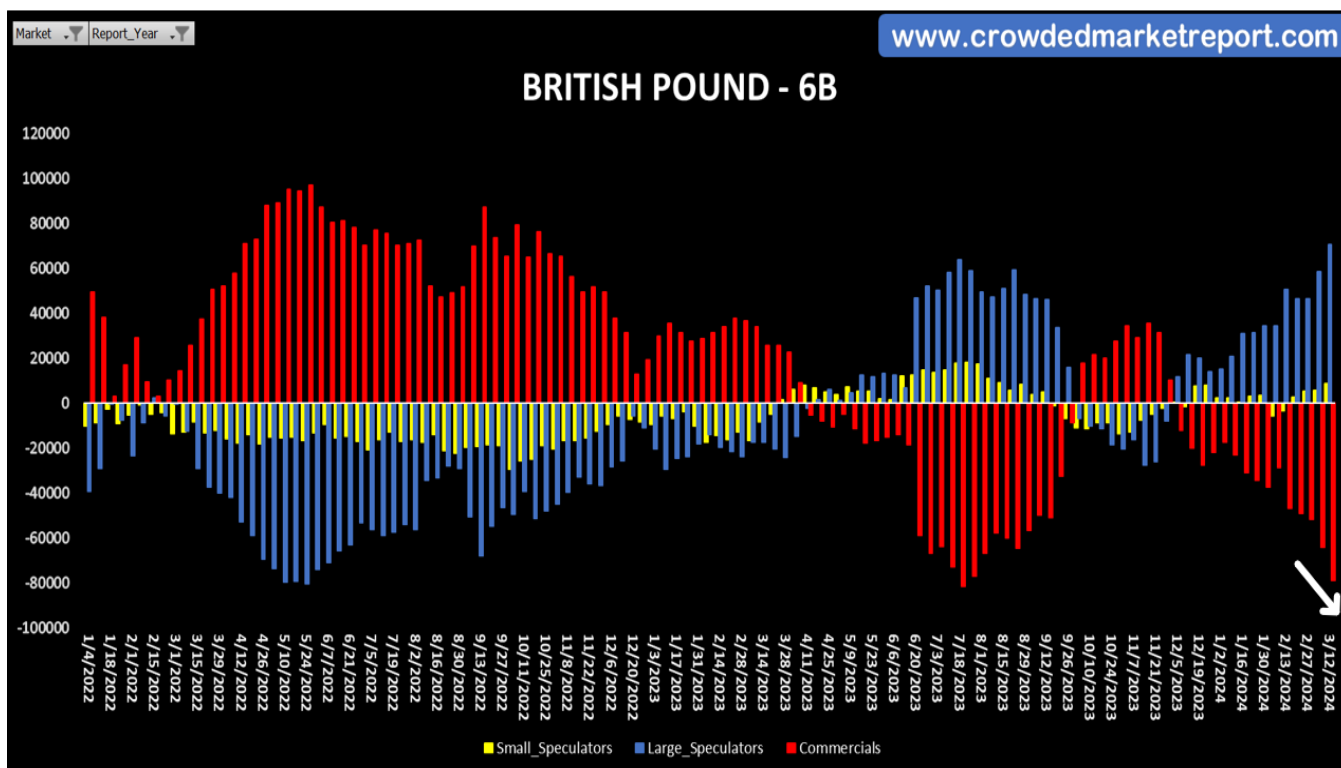
One important note on the COT. It is not a great predictor of market direction. It is a great risk management tool that will keep traders out of trouble when it comes to being contrarian, in addition to identifying high reward/low risk trades that allow for long-term success if used with discipline and trading risk management.

We track other sentiment indicators in addition to the COT like opinion surveys (ex. AAll Survey) and polls (CNN Fear and Greed Index), but the COT will always be considered **the source of truth for market participation and sentiment** since it is based on actual trader positioning.

CMR COT Charts

CMR COT charts come in three different formats that provide the same data: Excel, Webpage, and TradingView. The excel file covers the main markets Jason reviews each week and only shows positioning for the last two years. The charts available on the CMR website have a very similar view to the excel charts but are much more dynamic where a member can change the time frame, look at each trader type, download the data and capture images of the charts as needed. We created a CMR Member Video Guide that is on the charts page. The TradingView charts allow members to view price, positioning and index all on the same chart. The CMR index on TradingView is a mathematical formula calculation based on back tested timeframes for each market. The CMR index value we publish standalone in an Excel file is based on the same formula but is also updated using a proprietary algorithm that tracks price and open interest from Wednesday to Friday making adjustments based on the thought that positioning is a function of price and open interest. The official CMR index may differ slightly than TradingView and the values may not match exactly depending on the price move. **The source of truth for CMR Index value is the excel file that we publish weekly.** All formats are updated every Friday shortly after 330pm EST once the new data is published, unless the data is published on a Monday due to a holiday.

We will use an excel chart to show how to interpret positioning, since chart visualization is the same across all three formats. Each trader type is represented by a column and each week the positioning is updated. Commercials (red column) is the inverse of Small Speculators (yellow column) and Large Speculators (blue column) **combined**. The quickest way to find out what changed week over week is to track the changes in Commercials positioning, which also tells you what Speculators did as a whole. In this example, we see Commercials increased their net short position which means Speculators, as a whole, increased their net long position.



CMR COT Index

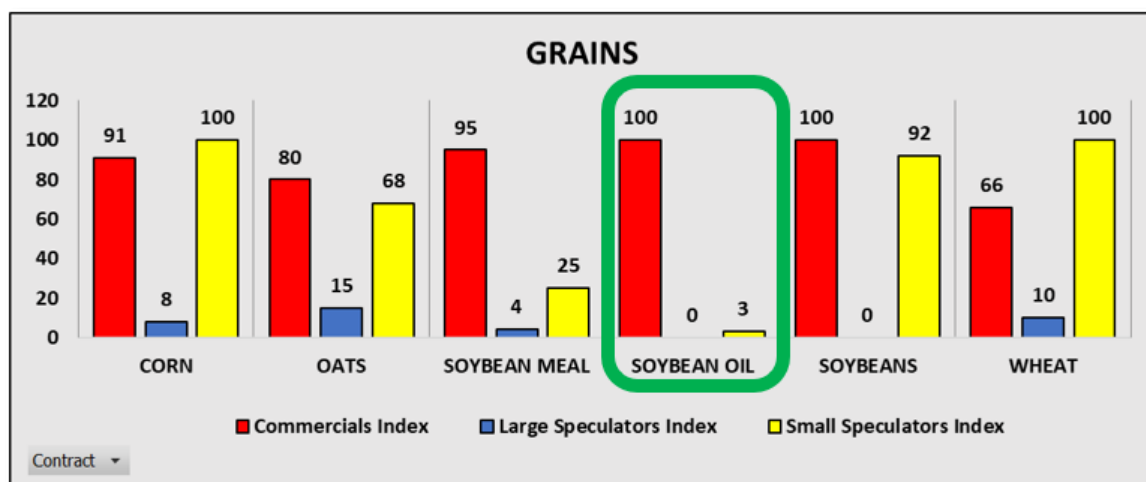
A market becomes crowded long or short once it reaches a specific reading on the CMR COT Index which is a proprietary oscillator that was developed through extensive back testing and based on many years of trading experience. The COT report data is indexed, which means the data for each contract covered is reviewed with a specific look back period that differs for each market/contract. This process is similar to a Relative Strength Index (RSI) or an oscillator indicator. The reason the data is indexed versus just looking at the absolute data is the challenge of waiting for absolute data to become crowded, which may take an extended period of time. Indexing the data shows the amount of crowding over a relative time (aka look back period). Selection of the time frame to use for each market requires historical back testing, and does have its downside, which is why there is a heightened level of scrutiny and discretion when confirming crowdedness. A longer-term analysis of positioning may be reviewed and may be utilized as part of the discretion in confirming if the COT is truly set up. Another factor is current sentiment on financial news media (ex. CNBC) and their view on the market as well. For the most part, the index is used as is, but there are times when there are conflicting inputs which was recently exemplified by the early 2024 stock market rally, where the COT was set up as a short in the DOW, Russell and Nasdaq, but the trades were not all considered due to bearish sentiment, the level of hatred of the bull market where a market turn was not very likely.

The index is based on a scale of 0 – 100, where 0 equals maximum short level (aka max crowded short) and 100 equals maximum long level (aka max crowded long). As far as the CMR process, any value that is 5 or less, qualifies as having met maximum crowded level short. Similarly, a value of 95 or higher indicates a maximum crowded level long.

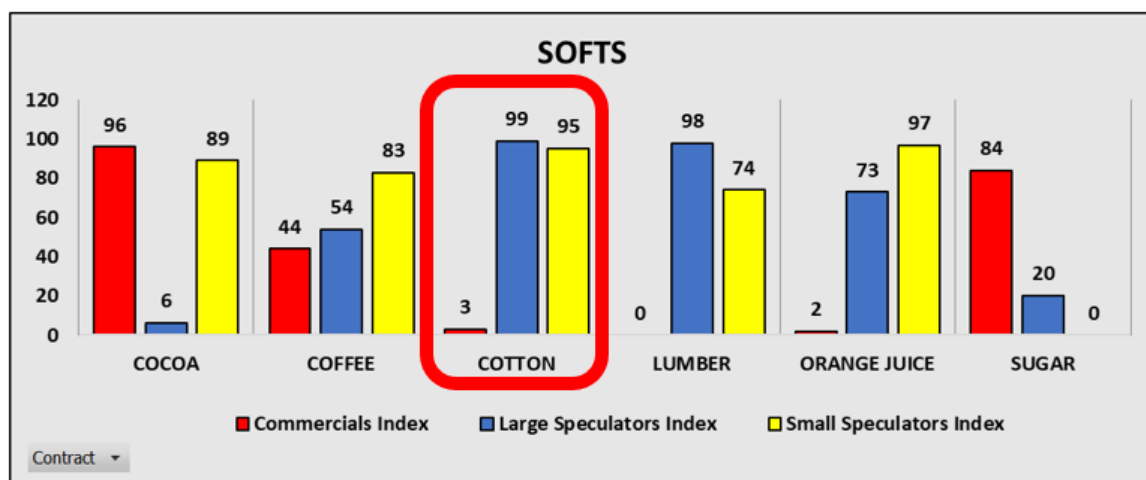
For a market to be crowded, all three trader types have to be max crowded.

- Short Trade – Commercials ≤ 5 , Small and Large Speculators ≥ 95 .
- Long Trade – Commercials ≥ 95 , Small and Large Speculators ≤ 5 .
- **The only exception is Equities.** Back testing showed the best results when Commercials reached max crowded levels, without waiting for both Speculators to be max crowded. Once Commercials reach ≤ 5 for a short trade, or ≥ 95 for a long trade, the trade is set up per COT Index.

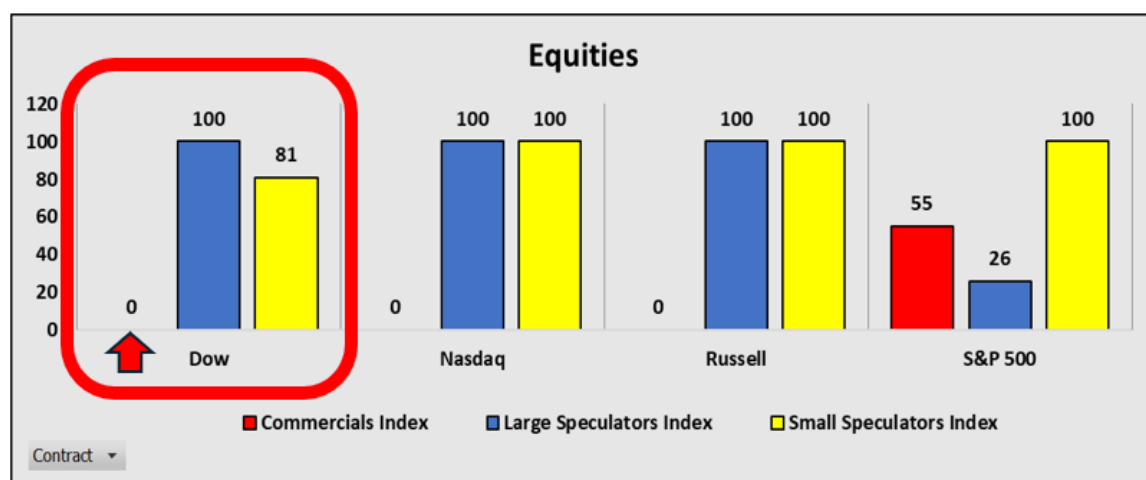
Example of a long set up:



Example of a short set up:



Example of a COT set up in Equities based on Commercials only:



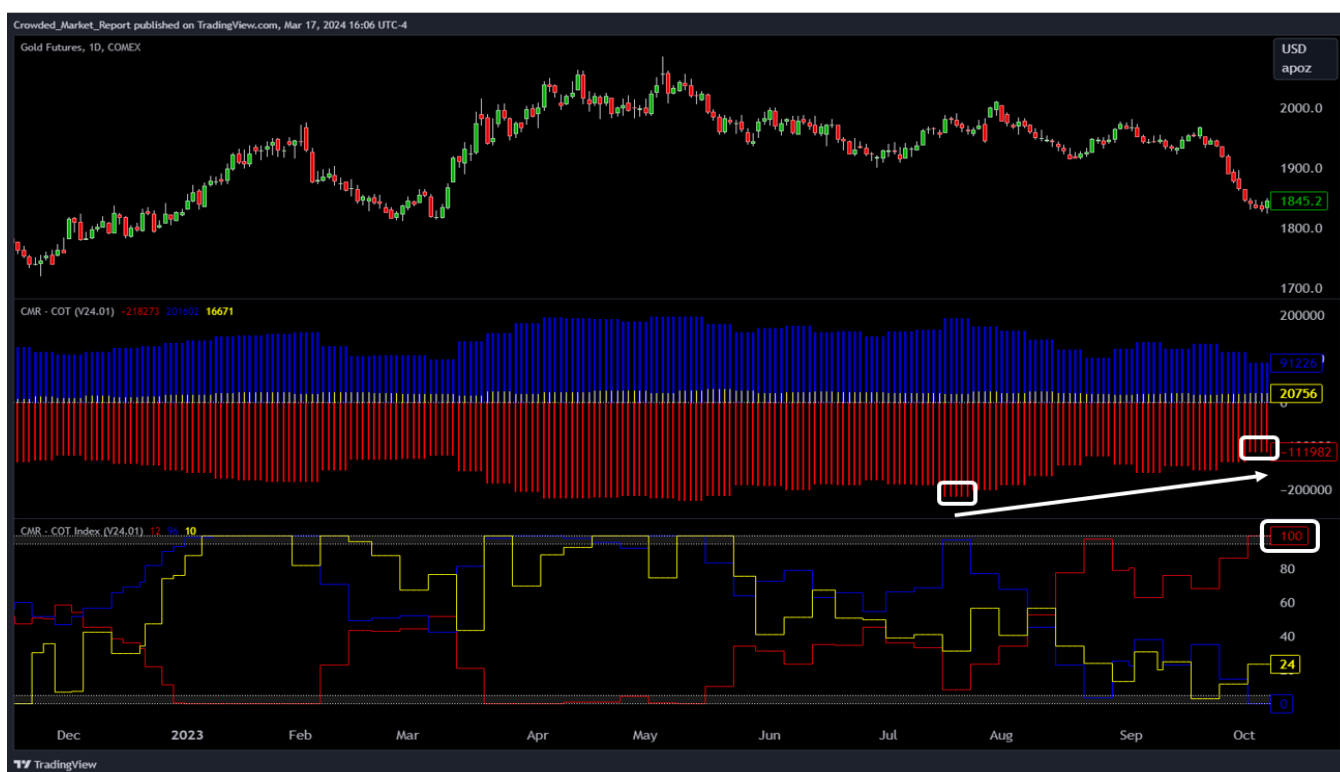
Being set up according to the CMR COT Index is just the first of two requirements needed to consider executing a trade. The CMR Trading process will NEVER enter a trade based on a market becoming max crowded, market confirmation is always required. The Cocoa market in 2023 is a great example, where the trend continued despite the market becoming extremely crowded, in addition to the lack of a clear news failure event.

Lastly, the index may indicate a market is crowded long despite the fact that net positioning is short because the index is comparing the current week's data to a specific recent lookback period. This is explained further in the next section. Here is the math for the formula to further explain this point and why a net-short position would provide a bullish index level:

$$\text{COT Index Calculation} = 100 \times \frac{\text{current net position} - \text{minimum net position}}{\text{maximum net position} - \text{minimum net position}}$$

Commercial Traders

Commercial traders (Commercials) are also known as hedgers, and they are the main reason why commodity markets were created. They participate in the futures market to hedge a commodity **they own** based on current supply and demand levels. One clear example of Commercial Traders is Gold Miners. They mine and sell physical Gold and may need to hedge their future sales by selling Gold Futures to lock in current prices. The process of hedging allows for better forecasting and predictability creating less revenue volatility. Commercials are often net-short because they are hedging (or selling), and that level is what is indexed. As mentioned previously, the index may indicate that a trader type is crowded long (or short), and their absolute position may be net-short (or net-long). To further clarify, the Gold chart below shows that Commercials (red column) are crowded long with an index level of 100, despite Commercials being net short. The latest position on the chart shows they are the least short they have been for several months, which is considered bullish and why the index level is crowded long with a relative reading of 100.



Another type of Commercial Traders, which is non-traditional, are the Commodity Index Funds. The key to being categorized as a Commercial Trader is being classified as a “hedger”, which allows for reduced margin requirements and no position limits as long as you own the commodity being hedged. A common question from our members is “who are the Commercials for Equities?” and the answer is challenging, since it is not as clear as Metals or Grains. For the most part, Commercials in Equities can be Institutional Banks, Index Fund Managers or Pension Fund Managers attempting to hedge their holdings. For the CMR Process, it does not matter. What matters is the positioning. Who makes up the Commercials has no impact on decision making when considering a trade. The goal is to keep the process simple and not over-complicate matters trying to figure out who the traders are.

Large Speculators

Large Speculators are traders known as "Non-commercial" traders. These traders are typically institutional investors such as hedge funds, commodity trading advisors (CTAs), and commodity pool operators (CPOs) who trade futures contracts for speculative purposes. They do not have a direct interest in the physical commodities but rather seek to profit from the price movements of the futures contracts. Their positions are above reporting levels set by the CFTC and must be reported to the CFTC to be included in the COT.

Small Speculators

Small Speculators (also referred to as non-reportable traders) are the remaining traders once you take total Commercials positions and remove all the Large Speculator positions. Small Speculators position size is not large enough to be reported to the CFTC but since the COT report is a zero-sum report, any positions remaining after the Large Speculators have been considered would be owned by Speculators. Mathematically, the equation would be: $\text{Small Speculators} = \text{Commercials} - \text{Large Speculators}$.

Speculators as a whole are the group we are attempting to fade. Ideally both are crowded on the same side and reach max levels on the index. There are certain contracts where that behavior may not be observed, especially new markets such as Bitcoin and additional research is required, or a decision would need to be made by the trader on which Speculator type to fade based on back testing. The thirty-seven markets covered by the CMR index have been back tested to where both Speculators need to be max crowded for the trade to be set up by the COT, with exception of Equities where we only look at Commercial index as mentioned earlier.

MARKET PRICE ACTION: NEWS FAILURE EVENTS

Market action trade confirmation is critical to the CMR process and just as significant as market participation. For contrarian trading to be successful, both have to be confirmed. This is mentioned again because it is that important. A trader will fail if they attempt to trade based on market participation alone (ex. Shorting a market because Speculators are max long) or attempting to front run the trade and not wait for the market action to qualify the trade. A trend can be powerful and market participation can remain extreme for an extended period of time (example: Cocoa's run in 2023 shown below). That is why patience, risk management and waiting for price action confirmation are keys to this process.

Examples of news failure:

- **Equities** - Consumer Price Index (CPI), an inflation indicator, comes in lower than forecast (bullish Equities) but the market ends the day red.
- **Fixed Income** - The Federal Reserve states that they will raise rates in the upcoming months (bearish Fixed Income), but the market ends the day green.
- **Currencies** - Weak economic news for the currency market is released by the government (bearish that currency) and the market ends the day green.
- **Energies** - Inventory supply levels are lower than expected (bullish) and Crude Oil ends the day red.
- **Metals** - Inflation data is higher than expected (bullish Precious Metals) and Gold ends the day red.
- **Grains** - The WASDE report is bullish Grains due to higher demand, but Corn ends the day red.
- **Livestock** - A surprise swine flu report impacting Lean Hogs (bullish) and the market ends the day red.

These news failure events speak to the tone of the market and the change of market behavior to news and headlines. News failure happens only once at the turn. All subsequent news reactions are just market tone or randomness and would not be referred to as a second or third news failure event.

Another form of market confirmation is correlations failure. News failure is the strongest market confirmation and ideally what qualifies the trade. On occasion, correlations failure can be viewed as market action confirmation, especially when it is a clear failure. For example, Silver is crowded short with both Large and Small Speculators at max long levels, while Commercials are crowded short. On a day where Gold, Platinum and Palladium are all up with strength on the day, Silver ends the day down and red on the day. That is considered a correlation failure since it should have been up along with the other Precious Metals. That would qualify the trade if the correlation failure were very clear.

THE CROWDED MARKET REPORT BREAKDOWN

This report is the most IMPORTANT content we provide and the foundation to the services we provide. It sets the tone of the week and provides the needed insight on how to approach the markets from a CMR/COT standpoint along with Jason's thoughts on upcoming events and narrative.

The CMR is scheduled for publication on Sundays before 3pm EST. There are weeks where the report is published on Monday due to COT data being delayed until Monday because of U.S. federal holidays. I am proud to say that since inception in January 2021, we have only missed one report and that was due to the CFTC having technical issues and they did not publish the report. Otherwise, a report has been published every week. We hope to continue this performance well into the future.

The CMR will include specific market analysis, a summary section, COT set-ups, active positions and any trades made the previous week. It will also include COT Index data presented in different formats, which are already included in the CMR Index Excel file.

Market Analysis

Jason will review each of the eight market categories covered in the report. The categories include Equities, Fixed Income, Currencies, Metals, Softs, Grains, Livestock, and Crypto Currencies. There will be additional analysis on markets where positioning is extreme, or the market is part of the current financial narrative and sentiment. COT charts and price charts are included for contracts Jason reviews and analyzes.

This section will not include all available COT charts, but only the ones that are worth posting based on positioning. To view all COT charts, a member can refer to any of the three options we offer: website, excel file or TradingView.

Putting it all together...

In this section, Jason will summarize his overall analysis on the markets and how different sectors tie together as far as validating the current narrative or adding more value to a current market thesis that he has observed the previous week. As each market is analyzed individually, there are correlations and impacts that carry across all markets. For example, the impact of inflation on Equities and Metals or how Currencies, interest rates and Fixed Income will behave based on Federal Reserve decisions.

In addition, this section will include many valuable lessons from Jason's experience, whether it is a throwback story when he used at a hedge fund or the current portfolio status and the challenges that come with being a professional money manager.

We recommend all new members read the last 5+ reports or more, to understand Jason's writing style and how he tells the story of the markets. It will help answer questions new members may already have in addition to improving weekly expectations and what is in store when we publish the charts, report and index.

COT Set Ups

This section is straightforward and includes all markets currently set up as max crowded (long or short) where all three trader types are crowded on the CMR index. On occasion, a market close to being crowded may be listed due to how extreme certain trader type is positioned. For example, Large Speculators (index score 0) net short position at all time levels causing Commercials (index level 95) to be crowded as well but Small Speculators are still not crowded (index score 12).

Current Positions

This section will include current CMR trades that were executed and active. It will be listed in the following format:

Long (or short) XXXX from xx/xx/xxxx close, with a stop on a close below the xx/xx/xx low

CMR trades are entered near the market close since a news failure is only confirmed based on the market close. There have been many instances where a news failure was apparent early on in the day but then the market closes where a news failure did not actually occur. There is also discretion about entering a partial position before the close. For example, bullish news is released in a market set up short by the COT and the market spikes higher. A partial position may be entered in anticipation of the market closing in the red thus confirming the news failure event (bullish news, bearish price action). The risk is small since the position size is small and close to the stop that would be in play.

Trades are entered in the forward, most liquid contract. If the trade duration exceeds the contract expiration, then the trade would be rolled to the next contract manually. Trades may last one week to several months depending on the market. Jason is a Futures trader since he is a Commodity Trading Advisor (CTA). For traders who elect to trade ETFs, this [CMR ETF List](#) includes available ETFs for the Futures markets covered by CMR.

As far as position size and capital at risk, Jason always risks 0.7% (aka 70 basis points) or less of total portfolio value per trade. This does not change. Jason does not add to positions unless the initial position was less than 70 bps. Trade conviction does not change position size. All trades are treated the same and the expected risk does not exceed 70 bps. Based on testing, risking 70 bps produces the results Jason is looking for to meet client expectations, with lower drawdowns when taking volatility into consideration. The number of contracts is determined by the entry level, stop level and Dollar per tick in the contract traded. To further clarify how a trade is sized, let's assume the total portfolio size is \$1,000,000 and a 70-bps risk means each trade risks \$7,000 (0.007% X \$1,000,000) per trade.

Hypothetical trade in ES Futures contract, where each one point move equals \$50. The Current price is \$4,960 and that is where the market closes which is now the entry price. The stop is the high of today at \$5,000 and the stop level. To calculate how many contracts to purchase, a trader would subtract \$4,960 from \$5,000 equaling 40 points. That is the distance between entry and stop. The 40-point move for one contract equals \$2,000 (\$50 times 40 points). We know the total risk is \$7,000, so we divide \$7,000 by \$2,000 which equals 3.5 contracts. For CMR, the total number of contracts is rounded down to account for slippage, so the final number of contracts traded is 3. If the trade is stopped out and the market closes at \$5,005 three days later, which means the trade lost 45 points, and total capital lost equals to \$50 times 45 points times 3 contracts equaling \$6,750.

There are two reasons why a current trade is exited. The first reason is the market closes beyond the stop level. A common question is whether the stop is moved or trails the position, and the answer is NO every time. The stop is the same, and the main reason is the CMR process. The purpose of the trade is to time a market turn based on crowdedness and market failure, and if the market closes beyond the stop level, which means the market turn did not happen.

If the trade is still set up per COT and another news failure occurs, then the trade is reentered. When a trade is reentered, the new trade structure is followed as far as stop level, where the new high or low of the day is what is observed to confirm if the trade will be stopped out or now.

A trader should also make note that an intra-day move beyond the stop will not close out the trade. The market has to CLOSE beyond the stop level, not just cross it intraday. There is an exception to this rule when the market gaps the stop and it is apparent that the market will close beyond the stop level, and the trade may be partially or fully closed out.

The second reason a trade is closed out is when any of the trader types become neutral based on their COT index reading. The goal as a trader is to exploit an edge in the market and if the positioning edge no longer exists, then the trade is closed, and profit is booked. A neutral reading on the COT index is ~50. It does not matter which trader type reaches that level (Commercials, Large Speculators or Small Speculators), if one of is neutral, that is the end of that trade. That is why most profitable trades are exited on Friday when the new COT data is released.

This is how the CMR process exits trades, and it does not mean that should be how every trader exits their trade if they select to use the COT as the reason to enter the trade. A member may exit trades based on their trading style if they choose to and we always recommend maintaining your trading style and adding what you learned from CMR as an additional tool. So, if you have a set point to close the trade such as a profit target or other, and it works for your process, then so be it. The key is to be disciplined and consistent. Another option is to close out half the trade based on the trader's system and the other half based on positioning turning neutral. This will be up to the trader as there are many exit strategies to consider. We have observed traders exit the last portion of their trade when positioning reaches the other extreme.

Another reminder that that this style of trading does incur slippage depending on market action and how it closes above/below the stop level. That is why the calculated number of contracts to trade is rounded down for slippage consideration.

COT Index Heat Map

The heat map is a visual representation of how the COT Index changed week over week, to help identify which markets changed the most. For Example, the map shows Russell Small Speculators changing by -45 points, week over week, where they sold the market. The file also includes which markets are COT Set Up and are close to being set up. The data goes back to the first time we started tracking and the excel file can be found at www.crowdedmarketreport.com/cot-data. We include this view in the report to centralize all available information we publish for a better user experience.

| Contract | Category | CoT Set Up | Comm WoW Delta | LG Spec WoW Delta | SM Spec WoW Delta | 3/17/2024 | | | 3/10/2024 | | |
|-------------------|--------------|---------------------|----------------------|-------------------------|-------------------------|-------------|-------------|-------------|-------------|-------------|-------------|
| | | | | | | Commercials | Large Specs | Small Specs | Commercials | Large Specs | Small Specs |
| 30-YEAR BONDS | FIXED INCOME | | 8 | -5 | -10 | 17 | 65 | 80 | 9 | 70 | 90 |
| 10-YEAR NOTES | FIXED INCOME | | -11 | 6 | -7 | 63 | 31 | 72 | 74 | 25 | 79 |
| 5-YEAR NOTES | FIXED INCOME | | 5 | -5 | -5 | 86 | 12 | 81 | 81 | 17 | 86 |
| 2-YEAR NOTES | FIXED INCOME | | 0 | -1 | -4 | 61 | 34 | 85 | 61 | 35 | 89 |
| NASDAQ | EQUITIES | | 9 | 0 | -21 | 81 | 8 | 79 | 72 | 8 | 100 |
| S&P 500 | EQUITIES | | 17 | -16 | 13 | 93 | 0 | 93 | 76 | 16 | 80 |
| DOW | EQUITIES | | 4 | -2 | -12 | 14 | 84 | 80 | 10 | 86 | 92 |
| RUSSELL | EQUITIES | | 9 | -1 | -45 | 48 | 54 | 51 | 39 | 55 | 96 |
| LIVE CATTLE | LIVESTOCK | | 0 | 0 | -12 | 0 | 100 | 0 | 0 | 100 | 12 |
| LEAN HOGS | LIVESTOCK | CLOSE SHORT SET UP | 1 | -2 | 34 | 1 | 98 | 93 | 0 | 100 | 59 |
| COCOA | SOFTS | | -11 | 9 | 7 | 85 | 15 | 96 | 96 | 6 | 89 |
| SUGAR | SOFTS | | -3 | 2 | 9 | 81 | 22 | 9 | 84 | 20 | 0 |
| ORANGE JUICE | SOFTS | | 18 | -7 | -19 | 20 | 66 | 78 | 2 | 73 | 97 |
| COFFEE | SOFTS | | -13 | 12 | -2 | 31 | 66 | 81 | 44 | 54 | 83 |
| COTTON | SOFTS | CURRENT SHORT TRADE | 2 | -4 | -5 | 5 | 95 | 90 | 3 | 99 | 95 |
| LUMBER | SOFTS | | 2 | 0 | -27 | 2 | 98 | 47 | 0 | 98 | 74 |
| GOLD | METALS | | -3 | 2 | 0 | 12 | 96 | 10 | 15 | 94 | 10 |
| SILVER | METALS | | -22 | 31 | -22 | 0 | 100 | 49 | 22 | 69 | 71 |
| PALLADIUM | METALS | | -5 | 6 | -13 | 89 | 15 | 35 | 94 | 9 | 48 |
| PLATINUM | METALS | | -29 | 30 | -53 | 65 | 35 | 47 | 94 | 5 | 100 |
| COPPER | METALS | | -15 | 20 | -6 | 27 | 79 | 48 | 42 | 59 | 54 |
| \$ DOLLAR INDEX | CURRENCIES | | -12 | 16 | -24 | 72 | 29 | 41 | 84 | 13 | 65 |
| AUSTRALIAN DOLLAR | CURRENCIES | | 2 | -14 | 9 | 84 | 8 | 33 | 82 | 22 | 24 |
| BRITISH POUND | CURRENCIES | CLOSE SHORT SET UP | -1 | 0 | 16 | 0 | 100 | 90 | 1 | 100 | 74 |
| CANADIAN DOLLAR | CURRENCIES | | 0 | -11 | 20 | 42 | 57 | 39 | 42 | 68 | 19 |
| JAPANESE YEN | CURRENCIES | | -16 | 14 | -7 | 56 | 39 | 93 | 72 | 25 | 100 |
| EURO | CURRENCIES | | 0 | -3 | -6 | 50 | 52 | 39 | 50 | 55 | 45 |
| SWISS FRANC | CURRENCIES | | -1 | -2 | 5 | 95 | 14 | 14 | 96 | 16 | 9 |
| CRUDE OIL | ENERGIES | | 0 | 1 | -1 | 51 | 48 | 63 | 51 | 47 | 64 |
| UNLEADED GAS | ENERGIES | | -13 | 4 | 43 | 22 | 65 | 86 | 35 | 61 | 43 |
| HEATING OIL | ENERGIES | | 13 | -20 | 8 | 78 | 4 | 65 | 65 | 24 | 57 |
| NATURAL GAS | ENERGIES | | -24 | 21 | 5 | 31 | 61 | 74 | 55 | 40 | 69 |
| CORN | GRAINS | | -6 | 5 | -2 | 85 | 13 | 98 | 91 | 8 | 100 |
| OATS | GRAINS | | 3 | -3 | -4 | 83 | 12 | 64 | 80 | 15 | 68 |
| WHEAT | GRAINS | | 34 | -10 | -6 | 100 | 0 | 94 | 66 | 10 | 100 |
| SOYBEANS | GRAINS | | -6 | 7 | 6 | 94 | 7 | 98 | 100 | 0 | 92 |
| SOYBEAN MEAL | GRAINS | CURRENT LONG TRADE | -2 | 1 | 23 | 93 | 5 | 48 | 95 | 4 | 25 |
| SOYBEAN OIL | GRAINS | | -18 | 18 | 26 | 82 | 18 | 29 | 100 | 0 | 3 |

COT Data Graphs

In this section we include different views of COT index data grouped by trader type and sector. The goal is to present this data in different ways to show members how trader types are positioned and to help identify trends.