DrobnyGlobalMonitor

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3701 Highland Ave, Suite 302, Manhattan Beach, CA 90266 andres@drobny.com *(310) 545-6996*

Biases:

EQUITIES:	Bearish; Bearish financials;
BONDS:	Neutral, Bullish steepeners;
FX:	Bullish Volatility; Bullish Swiss Franc; Bearish Canadian Dollar;
EMG:	Bullish Asian EMG FX; Bearish EMG Equities

Current Exposure:

EQUITIES:	****Formerly Short Bovespa;***
BONDS:	****Formerly Long June08 Bund contract;***
FX:	
COMMODS:	Short July08 Copper (Apr 14):

2008 Santa Monica Conference Review

****Please note latest changes to biases and/or exposure***

Food inflation is the new hot topic. It is squeezing consumers around the world. And, the resulting jump up in inflation is forcing central bankers to tighten. That isn't helping the growth outlook. And, it doesn't seem to be the kind of stuff that soothes market tensions.

Yet, some panelists approached the food thing a bit differently, and more directly. One argued that it would lead some BWII countries to abandon cheap currency policies and start accepting more currency appreciation to dampen the effects of rising imported food prices. This panelist plumped for the Chilean Peso. Another noted that grains are a critical input in livestock production, yet the price of meat has yet to rise much at all during the commodity bull market. The resulting cost squeeze has created various disruptions in the meat producing sector ('herd liquidation'). The trade is to buy meat and meat producers, either outright or relative to grains.

Another theme at the conference: be careful out there. Nobody seems to fully understand the nature of this OIS/libor spread thing, including the central bankers. That's dangerous. And, economically, after all that's happened, it's unlikely that the path ahead will be smooth. Inflation begets tightening; deflation adds to financial market turbulence. Neither provides a healthy looking outlook.

In this vein, several panelists warned about a further weakening in economic performance. And, interestingly, the audience was braced more for inflation and was also looking for pretty good growth, especially outside of the US (See Section 10, below, questions 1-3). A growth slowdown might now prove a surprise.

That's the direction two of the panelists took. One argued a simple idea......the FED aren't going to hike before the US election, and they might just have to ease further. So, stay out of OIS/Libor issues and just buy FED FUNDs up to the election date. And, presumably you can then use long bonds as a delta if, say, inflation gets worse. Another trade was to sell copper, using nice location near the highs to get exposure to a global manufacturing downturn that may now be unfolding.

Of course, violent markets also create juicy opportunities. Several panelists found trades at good levels and offering pretty good positive carry. That hasn't really been available for a while. For example in FX, one panelist exploited a sharply inverted SFr vol curve to buy forward vol at the bottom of a long term range. The trade offers a way to get long FX vol cheaply in an environment of high implied and actual vol. And, with positive carry. Neat.

Another trade that was proposed exploits the recent violence in financials. This has produced anomalously high yields in some hybrids. And, you can buy CDS protection against these assets at decent looking prices. The combo trade offers high carry with great potential for capital appreciation. And, yet another panelist went for buying high quality US stocks and selling low quality. Again a positive carry trade where the entry point looks pretty good after the recent strong rebound in low quality stocks.

[Remember the days, not long ago, when the idea of ‘carry’ was widely associated with ‘risk appetite’? Especially during 2005 and 2006, when volatility was low as were absolute and relative yields. And, sure, risk plays a role in ‘carry trades’. But, 'carry' is intrinsically about time; it’s about trading against a forward. Time is on your side in a carry trade and, if violence and volatility provide good entry levels, it can be a valuable aid in surviving volatility while waiting for a new trend to emerge.]

Rounding out the panel trades was a more optimistic idea of buying US mining stocks. The story is solid and the trend is good. Yet, we spent considerable time worrying about appropriate hedges. Do you sell bonds or the S&P against it? Or, is this the time to just go naked long equities now that a pretty good clear out has occurred and with those rebate checks in the US mail?

The answer of the audience seemed pretty clear ...... sell US bonds and buy stocks (See Section 10, questions 8,9, 11-14). Except, that there seemed low general conviction. This group was running low to very low risk overall (question 6). Much of this, it seemed, reflects sharply reduced exposure in FX and commodity markets. The only outstanding position in FX was a modest Euro/USD short (questions 16, 17; see also favorite FX trades in Section 11). A good deal more exposure was reported in equities and fixed income.

I provide below a review of the 8 presentations and the subsequent discussions (bios of the speakers are provided at the end of this piece). The occasional comments in brackets [……………] represent my own post-conference comments.

Suggestions, amendments, complaints, guest pieces, etc, would all be happily received. The more dialogue we have, the better!

1) Michael Cagney of Cabezon Capital emphasized the food issue and recommended selling USD/CLP. This is part of a portfolio premised on the BWII concept that many EMG countries have pursued an undervalued FX policy. Michael argued that this has finally started to produce inflation in these countries, which is forcing a policy adjustment either via rates and/or currency appreciation. The idea is to buy those currencies where policy tightening is taking place to mitigate these pressures, which have suddenly become more intense due to the jump up in food prices.

And, Chile fits that description. A sharp rise in imported food prices has pushed up inflation and there is a significant danger of pass-through to non-food prices. This represents a genuine challenge to an inflation targeting central bank. And, since the problem stems from imports, it makes more sense to allow the currency to appreciate than to raise interest rates. Moreover, the Chilean peso enjoyed a strong rally during Q1 but has since corrected somewhat over the past 6 weeks or so. This new food price impulse could well be the catalyst for the next phase of the rally.

Several questions were raised. A first was about copper. Wouldn't it be safer to buy the CLP and sell copper? Perhaps. Though Mike noted that, although highly correlated to copper on an intraday basis, the correlation between the two is quite low over more than two weeks. A second question concerned using the USD as the liability currency. Mike responded that this was because the central bank manages the CLP against it.

[Also note that the BWII theory seems to be morphing into a new phase. Michael's partner at Cabezon, Michael Dooley, is one of the architects of the BWII idea. He argued at a previous conference that, despite considerable global imbalances, there is a strong incentive for all players to maintain the stability of the system (see *'2006 Santa Monica Conference Review'*, **DGM,** April 18, 2006). Under this informal system, cheap currency EMG countries enjoy export-led growth, with excess savings flowing to the US, thus subsidizing excess spending there. The result should be low real interest rates, lots of liquidity, and low volatility (also see the fascinating debate between Dooley and Niall Ferguson that emerged after the conference; see **Drobny Guest Research** dated April 26, 2006 and May 4, 2006.)

We didn't get a chance to discuss this issue this time around. Yet, it's potentially very important. If Michael Cagney is correct and a new phase of the BWII process emerges where cheap currency EMG countries allow more FX appreciation, does that also mean that the savings flow from these countries to the excess spenders starts to diminish? That would suggest we have entered a sustained period of disequilibrium and high volatility, not a transitory one. Perhaps it isn't a coincidence that liquidity and growth problems in the US and other debtor countries have emerged at a time when inflation has accelerated considerably in the cheap currency EMG countries. Both may well be part of the same process.]

2) Mark Schulze of Black River Asset Mgmt appealed to rising food prices to make the case for buying meat and meat producers, and perhaps selling meat users against it. The price of livestock has barely moved up during the commodity bull market. Yet, conditions for a rally now seem in place. The trade is either to buy meat futures, or some meat producers that have been badly beaten down. Or, buy COW, a meat ETF. And, if you are worried about the high price of grains, you can sell the MOO ETF against this, which is made up of agricultural suppliers. Buy COW and Sell MOO!

The catalyst for the trade comes from the recent sharp rise in feeds and grains. This has sent the corn/cattle spread to an extreme level seen only once before. The corn/hog spread is also at an extreme. And, this looks structural, with the price of corn pushed up by higher oil prices which, in turn, seems to have permanently increased the costs of producing livestock.

The big rise in feeds and grains has had a powerful effect on the livestock market. The resulting sharp rise in production costs has led to a substantial liquidation of herds and a synchronized global contraction in meat production. All this is happening at a time where demand is still strong, generating a substantial imbalance in the market place. Hence, buy meat.

Or, look at some of the meat producers. Pilgrims Pride (PPC US) was mentioned, whose stock price has halved in the past year as costs rose and meat prices remained steady. Or, if you are an economic bear, you can buy this stock against the S&P restaurant index (S15REST), which has held up pretty well yet whose constituents should be under pressure due to rising input costs and a potential decline in discretionary consumer spending. Or, again there's the long COW short MOO trade.

3) Jason Cummins of Brevan Howard suggested buying FED FUNDs contracts up to Oct08, ahead of the Nov election. The market has a V-shape profile for the outlook for US interest rates, yet the likelihood that the FED will tighten ahead of the election is small. And, we don't know exactly how much more they will ease. Hence, the distribution for FED FUNDs ahead of the election is truncated at the current rate with the potential for a move to even lower rates.

Jason's trade is premised on the idea that the US is probably at the beginning and not the end of the downturn and that financial conditions (spreads) are worse than in previous recessions. Most important, this is an election year when millions of people face foreclosure. That's hardly an environment for rate hikes anytime soon, especially ahead of the election. But, there's still the possibility of further cuts by the FED.

Considerable time was spent discussing OIS/libor spreads…libor rates look so cheap to FED FUNDs and the forward spread widens slightly through the year. So, there is potentially much more juice in Eurodollar contracts. But, we've all learned how dangerous that idea can be, so Jason suggested keeping the trade simple.

4) Guilherme Schmidt of Black River recommended buying hybrids of selected financial companies and hedging by buying CDS protection on the same companies. These hybrids are callable fixed income securities with a stepped up coupon after the call date (typically 10yrs), and which become preferred shares at final maturity in 30yrs. The typical hybrid in question has a remaining maturity of 24yrs with the call date coming up in 4yrs time.

A key aspect of this story is that financial institutions ***always*** call the hybrid. For a variety of reasons, it is expensive for them not to. And, the perception in the market is that if a bank didn't call it, then it must have a big problem. So, not calling the security would bring into question the viability of the bank.

Yet, market prices now seem to build in the assumption that these instruments won't be called. The big sell-off in financials has left these hybrids offering huge yields to call. So, the trade is to be very selective and buy the hybrids for financials that are seen as 'too big to fail' or are excellent credits; Guilherme suggested Wachovia and Bank of America for the former and Goldman for the latter. Hybrids on Wachovia are yielding something like 17.5% to call; on the other two the hybrids yield to call is running at around 13.5%. The idea is that if default risk declines, these assets could rally strongly.

And, what if default risk doesn't decline? And/or, it doesn't look like the bank is going to call the issue? That's where the CDS comes in, which offer relatively cheap protection in case of further trouble. The call date on the hybrids in question is in 4yrs;

a 5yr CDS on Wachovia costs about 150bps; the equivalent for Goldman and BofA are 100bps and 80bps, respectively. So, if things stay bad or get worse, the value of the CDS should rise sharply (there is a slight mismatch here as the hybrid is subordinate debt and the CDS is on senior debt, yet if things go badly senior and subordinate debt should converge….both will look bad).

So, why are these hybrids so cheap relative to CDS? A first answer was shocking, and provided a telling reminder of the odd dangers that hang over the financial system. Apparently, many money market funds owned these hybrids ('money market plus' funds) and have been forced to bail. They weren't even supposed to own this stuff. This helped produce the dislocation and opportunity, but also reveals the extent of the financial mess we are in!

[There's another possible answer, though, which was raised in *'The Crash of 2008'*, Lee Thomas, **Drobny Guest Research,** June 26, 2006. What exactly happens to the issuer of the CDS you purchase in the event of a banking crash? Maybe CDS in these financial names appear to offer cheap protection precisely because they are likely to either expire worthless if all is OK and, if things go really wrong, then the issuer of the CDS protection might default anyway!]

5) Nick Nanda of GMO made the case for buying high quality US stocks against US junk stocks. High quality stocks are defined as having low debt, high return on equity (ROE) and stable ROE; companies that are consistently profitable, like P&G, Coke, Pepsi, Wal Mart. Junk stocks are the opposite: high debt, low ROE and volatile ROE. Examples of this are XM Satellite, Capital One, and Rite Aid.

This is a positive carry trade with positive momentum which should perform well in a troubled environment – it worked in Japan through the 1990's and during the Great Depression. Yet, the long term levels are also attractive, despite a 25% return on the trade over the past year. Also, the timing seems pretty good since quality has underperformed recently as recent action by the US authorities was perceived as reducing tail risk for US financial assets and the US economy, thus benefitting junk stocks disproportionately. Nick also argued that US profit margins jumped up in 2003-04, in part due to tax cuts. This pushed up margins to 60yr highs, especially for 'junk' companies which are very debt dependent. Mean reversion in profit margins should weigh on junk stocks disproportionately.

6) Michael Wexler of Maple Leaf Capital suggested buying 3yr-3yr forward vol in USD/SFr at 6.1 implied vol. You enter into a forward vol agreement (FVA), which commits you to buy a 3yr 'strikeless' straddle which has no time decay and no gamma. It becomes a regular straddle and 'strikes' at spot in 3yrs time. At that point the premium is paid, with only margin due now. And, at 6.1 3yr vol, you are getting it near the bottom of a medium term range and with big option-like potential to the upside. The risk/reward is rather exceptional.

The trade exploits a highly inverted SFr related vol curve, an anomaly that has arisen in part due to the hedging behavior of Swiss corporates, who have been active sellers of long dated SFr vol, and also more recently due to (forced?) liquidation of long-dated SFr vol positions by a large hedge fund. It also allows you to roll up the vol curve, essentially providing positive carry.

Moreover, you are buying forward vol at 6.1, which is near the bottom of a 5.5 to around 20 vol range for both actual and implied vol that has held over the past 15-20 years. The mean vol over this period has been 11. So you are risking roughly ½ a vol against an upside of 5 vol points if we simply revert back to mean. That's a 10-1 bet, with the potential for more if things get crazy again.

Michael noted that both the USD/Euro and Euro/SFr vol curves were also highly inverted and offer roughly similar potential. However, he noted that USD/SFr vol is particularly cheap relative to USD/Euro, and he wanted to retain USD vol exposure in the trade. Hence his preference for a USD/SFr vol trade over the others.

[There's another little possibility here. If, the Swiss were for some reason perceived to be thinking about entering the Euro group, then long dated Euro/SFr vol would likely collapse. So, the bottom of the Euro/SFr range in vol is perhaps more vulnerable than that of USD/SFr. An FVA spread between the two might provide a neat way to play for this unlikely but profound event.]

7) John Burbank of Passport Capital made the case for buying mining stocks. Mining is a very small proportion of the S&P and its share has in fact been shrinking. And, despite all the hype, overall capital allocation to commodities remains limited. So, although it's hard to predict where commodity prices are going over the near term, there is nonetheless considerable operating leverage in mining companies if prices were to keep moving higher, which should happen over time. There's just not enough of the stuff to meet demand. Moreover, the basic materials sector has the 2nd highest earnings growth rate in the S&P so far this year.

Much of the discussion of this trade surrounded the risks and appropriate hedges. Do you buy this outright, or against the S&P? John's performance last year was extraordinary, not just because his longs performed so well, but also because his shorts were perfect….he sold subprime indexes and financials. Both legs worked. So, what's the best hedge this year? This issue didn't seem comfortably resolved……

But, perhaps more instructive were some questions about industry specific risks. How does he deal with the growing trend towards expropriation of resources in many EMG countries? That, in fact, is a good case for buying mining companies located in 1st world countries. It actually helps hedge against that risk as expropriation elsewhere should imply improved prospects for mining companies in, say, the US.

What about strike risk? In principle that's a reason to own the underlying commodity rather than the mining company. But, it was pointed out that a cluster of contracts are coming up for renegotiation. As that passes the fear of strikes should abate, making the companies a more attractive bet than the underlying commodity.

8) ***Yours truly was on the other side of the commodity issue and suggested selling copper.*** This is premised on the idea that a global manufacturing slowdown is about to emerge, which should result in reduced underlying demand for industrial metals. At the same time, copper is trading back near the highs of the past few years; investment demand is unlikely to materialize at these levels. Perhaps it will emerge at higher or lower levels, but probably not here right at the highs. Also, check out the audience polls which showed that this group was bearish copper without much of a position (see Section 10, questions 4, 5.

Two bigger issues lie behind the trade. First, the global slowdown has been unusual in that it has been dominated by services …...so far. The property crash has hit construction and services (financial) and not so much manufacturing, which is a highly cyclical sector. But, this looks set to change. There are growing signs that a global inventory build up will lead to a drop in manufacturing production. That could change many things, including the underlying demand for industrial commodities.

Second, asset prices have risen sharply over the past decade. Some have melted up. This is true for many equities, especially in EMG, for many commodities, for property, even bonds. And, with inflation low, this means that in real terms the increase has been especially sharp. Low interest rates helped fuel this amazing bout of asset appreciation. But, it leaves many assets looking overvalued in real terms, which limits further upside and implies that either inflation should rise or the nominal value of assets such as equities, commodities, and property might well have to fall.

This suggests a trade structure which is long BE inflation and short the nominal value of some of these assets. That's why copper comes up here. It's also a warning that, with assets priced on the basis of low inflation and low interest rates, the process of deleveraging could well persist for quite a while, whether we are entering a new inflation cycle or if deflation beats the authorities desperate attempts to thwart it.

Andres Drobny

Past reports can be accessed at www.drobny.com

9) Drobny Award Recipients

The following three Drobny Awards were presented at this conference:

1) Best Trade at 2007 Stockholm Conference: ***Colm O'Shea, COMAC Capital***, who suggested paying USD 9x12 FRA and receiving HKD 9x12 FRA (a trade that exploited downward pressure on the USD within the context of a currency board system which forced the central bank to cut rates sharply relative to those in the US).
2) All Time Best Favorite Trade: ***Mark McLornan, Agro Terra***, who at the 2006 Reykjavik Conference advocated buying grains.
3) Best Guest Piece: ***Lee Thomas, Alpha Vision Capital,*** who wrote two guest pieces about a potential financial crisis which are still well worth reading (*'Who Controls Liquidity'*, **Drobny Guest Research,** April 4, 2007 and *'The Crash of 2008'*, **Drobny Guest Research,** June 26, 2006)

10) ***Audience Poll Results*** (Questions asked during the Conference)

1) Which of the following best represents your view of the current trend for the world economy?

Strong trend towards deflation	6	7%
Moderate trend towards deflation	13	16%
Moderate trend towards inflation	30	37%
Strong trend towards inflation	33	40%
	Total Votes --82	

2) What is the global outlook for real growth (2 year timeframe)?

Very rapid	2	2%
Moderately rapid	19	21%
Steady	35	39%
Moderate deceleration	24	27%
Significant deceleration	10	11%
	Total Votes --90	

3) Excluding the U.S., what is the global outlook for real growth (2 year timeframe)?

Very rapid	5	6%
Moderately rapid	44	52%
Steady	16	19%
Moderate deceleration	17	20%
Significant deceleration	3	3%
	Total Votes --85	

4) What is your current view on copper?

Bullish	20	24%
Neutral	34	42%
Bearish	28	34%
	Total Votes –82	

5) What is your current positioning in copper?

Long	9	12%
No position	62	78%
Short	8	10%
	Total Votes --79	

6) Which of the following best represents the current level of risk in your portfolio?

Very high risk	7	10%
Moderate risk	23	32%
Slightly low risk	17	24%
Very low risk	25	34%
	Total Votes – 72	

7) For U.S. domiciled attendees, what percent of your overall net worth is outside the U.S.?

0 -10%	27	47%
10-25%	18	32%
More than 25%	12	21%
	Total Votes --57	

8) What is your view on U.S. long bonds?

Very bearish	15	19%
Moderately bearish	38	49%
Neutral	15	19%
Moderately bullish	9	12%
Very bullish	1	1%
	Total Votes –78	

9) What is your current positioning in U.S. long bonds?

Very short	1	1%
Moderately short	21	30%
Neutral	40	56%
Moderately long	9	13%
Very long	0	0%
	Total Votes –71	

10) Which of the following best reflects your current positioning in U.S. yield curve?

Large steepener	4	6%
Moderate steepener	18	29%
No position	34	55%
Moderate flattening	6	10%
Large flattener	0	0%
	Total Votes --62	

11) What is your view of major country equities?

Very bullish	7	10%
Moderately bullish	18	25%
No viewpoint	18	25%
Moderately bearish	18	25%
Very bearish	12	15%
	Total Votes – 73	

12) What is your current positioning in major country equities?

Very long	6	8%
Moderately long	31	42%
No position	22	30%
Moderately short	13	18%
Very short	2	2%
	Total Votes --74	

13) What is your view of EMG equities?

Very bullish	12	17%
Moderately bullish	32	44%
No viewpoint	12	17%
Moderately bearish	10	14%
Very bearish	6	8%
	Total Votes – 72	

14) What is your current positioning in EMG equities?

Very long	5	8%
Moderately long	30	46%
No position	27	42%
Moderately short	2	3%
Very short	1	1%
	Total Votes --65	

15) What is your current positioning in U.S. dollar?

Very long	5	7%
Moderately long	23	31%
No position	17	23%
Moderately short	23	31%
Very short	6	8%
	Total Votes --76	

16) What is your view of the Euro?

Very bullish	3	3%
Moderately bullish	9	12%
No viewpoint	12	16%
Moderately bearish	31	41%
Very bearish	21	28%
	Total Votes – 76	

17) What is your current positioning in Euro?

Very long	0	0%
Moderately long	9	13%
No position	38	54%
Moderately short	18	25%
Very short	6	8%
	Total Votes --71	

18) What is your view of the Japanese Yen?

Very bullish	5	7%
Moderately bullish	20	27%
No viewpoint	25	34%
Moderately bearish	14	19%
Very bearish	10	13%
	Total Votes – 74	

19) What is your current positioning in Japanese Yen?

Very long	3	5%
Moderately long	6	10%
No position	40	64%
Moderately short	9	15%
Very short	4	6%
	Total Votes --62	

20) What is your view on Gold?

Very bullish	9	13%
Moderately bullish	18	25%
No viewpoint	13	18%
Moderately bearish	24	33%
Very bearish	8	11%
	Total Votes – 72	

21) What is your current positioning in Gold?

Very long	4	6%
Moderately long	15	23%
No position	35	55%
Moderately short	8	13%
Very short	2	3%
	Total Votes --64	

11) ***Summary of Audience Favorite Trades*** (Asked at start of the Conference)

FX: Total: 26

Largest samples:

7 Long USD Index (vs 1 short)
3 Short Euro
3 Long GCC Currencies (Egypt included in this list)
2 Long MXN (one vs CAD)
2 Long BRL (one vs SFr)
3 Long FX vol (one a synthetic Euro straddle, one long 25 delta Euro/TRY puts)

Most interesting/unusual: short vol skew on USD/Yen

Fixed Income Total: 19

Largest samples:

4 Short Bonds
4 Long Front Ends (2 Long Eurodollars, 2 Long Short Sterling)
3 Long Steepeners (2 in Euroland, one in AUD)
2 Long BRL Rates
2 Long US Break Evens (1 long TIPs vs payer swaptions)

Most interesting/unusual: Long AAA & AA Subprime; long 1yr Russian Corp Bonds

Commodities Total: 15

Largest samples:

3 Long Nat Gas
2 Long Meat
2 Long Gold
2 Long Agr Commods
2 Short Crude Oil

Most interesting/unusual: short front end silver, long back end

Equities: Total trades: 15 (including EMG equities)

Largest samples:

2 Long Asia (1 Japan)
2 Short US
2 Long US (1 Long financials)

Most interesting/unusual: Short Sing Property Stocks; Long Carbon Exchange

Other Favorite Trades: 5

Short Sovereign Wealth Fund Investments as they are made!
Trade Gamma
Long Greenland

PANEL BIOGRAPHIES
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John Burbank ~ Passport Capital
John Burbank is the founder and Chief Investment Officer of Passport Capital, a San Francisco based global hedge fund. The firm manages approximately $4.0 billion in assets. Passport's investment process uses a combination of macroeconomic analysis to develop major themes and rigorous fundamental research on individual companies to create global portfolios. The investment team focuses on the following industry sectors: Metals/Mining, Energy, India, Internet/Technology, Global Consumer, Healthcare/Biotechnology and Sub-Prime Mortgage CDS. Mr. Burbank has over a decade of experience investing in global equity markets. Prior to founding the firm in 2000, he was a consultant to JMG Triton Offshore, Ltd. From 1996 to 1998, Mr. Burbank was the director of research at ValueVest Management. He holds a B.A. degree from Duke University and earned an M.B.A. degree from the Stanford Business School.

Michael S. Cagney ~ Cabezon Capital
Mike Cagney is Cabezon's Managing Partner and the Portfolio Manager of the BWII Fund. Mr. Cagney founded Finaplex, a leader in wealth management software, where he held multiple roles as the firm's Executive Vice Chairman, President and Chief Executive Officer. Prior to Finaplex, Mr. Cagney served as Senior Vice President of Wells Fargo's Financial Products and Derivative Trading group. He founded and ran the Financial Products group responsible for structured product development, proprietary, portfolio and customer trading and risk management. Mr. Cagney holds a M.S. in Applied Economics and a B.A. in Economics, both with Honors, from the University of California, Santa Cruz.

Jason Cummins ~ Brevan Howard
Jason Cummins is a partner and head of economic research at Brevan Howard Asset Management, a hedge fund with $25 billion under management. Jason started the US economics shop at BHAM over three years ago and now heads the 15-person global research/strategy team. Formerly, he was senior economist at the Federal Reserve Board, where he led the macro forecasting team. He started his career as an assistant professor of economics at New York University. He has published numerous scholarly articles and consulted for both businesses and governments. Jason earned a Ph.D. at Columbia University and an undergraduate degree with high honors from Swarthmore College.

Nick Nanda ~ GMO
Nick Nanda is a portfolio manager at Grantham, Mayo and Van Otterloo (GMO). At GMO, Nick helps manage $37 billion in long only asset allocation mandates and $9 billion in absolute return portfolios which includes a $2 billion global macro fund. He joined GMO following the completion of his B.A. in Economics from Oberlin College. He is a CFA charter holder.

Guilherme Schmidt ~ Black River
Guilherme Schmidt is a founding Principal at Black River Asset Management, where he is responsible for the firm's Global Multistrategy and Commodity Multistrategy Funds. Prior to Black River, Guilherme worked for Cargill Capital Markets responsible for the commodities and Latin America emerging markets. Guilherme has an MBA from the University of Minnesota and BA from FAAP in Sao Paulo.

Mark Schulze ~ Black River

Mr. Schulze is a Senior Portfolio Manager for the Black River Commodity Multi-Strategy Fund. He joined Cargill in 1983 as an analyst in the Economics department and has held a variety of merchandising positions within Cargill. In 1990, Mr. Schulze transferred to Sao Paulo, Brazil as an Assistant Vice President in Cargill's Oilseed business. He returned to Cargill's Global Capital Markets Group in 2001 to develop a commodity fund. He has been responsible for the Agricultural Investments of the Commodity Fund of the Black River Global Multi Strategy Fund. Mr. Schulze earned a Bachelor of Arts degree from St. Olaf College in Northfield, MN.

Michael Wexler ~ Maple Leaf

Michael Wexler is chief investment officer and founder of Maple Leaf Capital, a London-based hedge fund. The Maple Leaf Macro Volatility Fund, which began trading in 2004, is primarily focused on trading implied volatility on a relative value or outright (long or short) basis together with a more traditional Marco-based strategy. Each trade is approached from both a volatility and macro perspective within the four asset classes of commodities, currencies, equities and fixed income, as well as cross market volatility trades. The multi-asset volatility approach creates significant synergies for derivatives trading, modeling and research. Prior to founding Maple Leaf, Michael spent four years at Credit Suisse First Boston managing single stock and correlation derivatives trading, and five years with Citibank in currency derivatives. The Macro Volatility Fund has returned 14.8% per annum since inception with a sharp ratio of 1.3 and a standard deviation of 7.1%. Asset under management are approximately $1 billion.