DrobnyGlobalMonitor

May 1, 2009

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

Biases:

EQUITIES:
BONDS:
FX:
EMG: Bullish Asian EMG FX

Current Exposure:

EQUITIES:
BONDS: ****Formerly Short June09 Euribor contract;***
****Formerly Long 10yr Treasury;***
****Formerly Long Mar10 EuroSfr contract;***
FX: Long GBP/SFr (Apr 2);
Long AUD/JPY (Feb 23);
COMMODS:

2009 Santa Monica Conference Review

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

Events of historic proportions are taking place. A severe credit contraction threatens a deflationary spiral; the unprecedented stimulus raises fears of an eventual lurch to inflation. A bi-polar environment of fat tail views, said one panelist. People tend to hold extreme views on the outlook, but change them rather quickly as events (or big price moves) unfold. A recipe for short term overshoots.

This was the focus of the discussions. It was somehow less about the specific trades and directed more to these big issues and the analytical constructs used to make sense of recent developments. And, the flaws and limitations of the constructs.

Take Quantitative Easing, a pretty tricky concept. To some, it means an unprecedented flow of money into the economy and eventually an inflationary spurt. Audience polls revealed that more than a quarter of the conference participants believe QE to be a destabilizing process (See Question 10, Section 10, below), with a large majority expecting inflation to rise on trend after this year. A small but not insignificant minority believe 8% - plus inflation will be seen in the US within 5 years (Questions 2 & 3). It's those ballooning central bank balance sheets!

Copyright © 2009 DrobnyGlobalTrading, LP.
No reproduction, transmission or distribution permitted without consent of the copyright holder.

One participant noted after the conference that balance sheet growth per se really only indicates that the central bank is acting as a financial intermediary. It doesn't necessarily carry ***any*** implications for real activity or the prospects for inflation. For that, you need to look to spending patterns themselves, and activity levels. If the stimulus leads to a sustained growth path, then of course there will be inflationary consequences that stem from QE.

And, that hints at the source of these inflation concern. The big picture may seem murky and confusing, but the participants at the conference were braced an economic rebound, however fleeting it may prove to be. The audience favorite trades showed a rather remarkable consensus. ***All*** commodity favorite trades selected by the audience were bullish (see Section 11). There was a 2-1 advantage of bullish over bearish equity trades in those chosen as favorites. And, even the ardent deflationist on the panel recently reduced his long bund position.

The majority of the trades presented by the panel also seemed premised on economic rebound. Two long equity trades were presented: long Brazilian equities premised on a quick snap back in global trade flows, and long dividend swaps, which are lagging the recent equity market rise (Sections 1 & 4). Two commodity trades were presented; both bullish (Sections 3 & 6). The only currency trade - long KRW vs the Yen - has solid fundamentals, but certainly fits a recovery scenario (Section 5). And, one of the fixed income trades was long forward inflation (Section 2).

There were exceptions. The debate heated up towards the end of the day when deflation trades emerged. The first looked at an intriguing characteristic of TIPs: they offer embedded deflation puts (Section 7). And, we ended with an outright deflation trade of buying long dated Bunds (Section 8). Things got pretty interesting as a debate on QE and inflation emerged. How much liquidity provision is 'sufficient' to arrest the downturn? Will the central banks overdo it or underdo it? There were lots of views, lots of argument, but few convincing answers. The near term recovery idea, it seems, is easier to get a handle on.

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 the better!

Copyright © 2009 DrobnyGlobalTrading, LP.
No reproduction, transmission or distribution permitted without consent of the copyright holder.

1) ***Michael Dooley of Cabezon Capital and BWII fame kicked off the day by making the case for buying Brazilian equities.*** Mike expects a pretty good bounce in activity through the remainder of this year and this should favor the surplus EMG countries. Brazilian equities seem particularly well placed to benefit from this after the large drop in the currency last year, the restrained fiscal response by the authorities, and the potential for a substantial further easing in monetary policy.

Mike's big picture story is that the much anticipated USD funding crisis never emerged. Capital inflows to the US were not interrupted, central banks never dumped USD's, and Treasury yields didn't spike higher. Instead, the crisis reflected a global credit squeeze and generalized asset drop which produced a synchronized contraction in world trade flows. This suggests that unusual factors were at work in the downturn, and Mike pointed to a significant freezing of trade finance. An improved flow of finance for trade combined with the compression in trade flows sets the stage for a fast rebound in global exports and thus a sharp snapback global growth.

And, Mike argued more generally that the BWII system has emerged unscathed from the current crisis. He believes the incentives for maintaining the current BWII system are strong. After having lost some reserves during the crisis, many EMG countries will want to rebuild them. And, although the US savings rate has risen due to the fall in asset values, this is likely to be a global phenomenon. After all, the drop in asset values was global. This suggests that trade imbalances, and thus the US need for substantial capital inflows, will be sustained.

That led to the first question. What happens to his model if the rise in US (and other debtor country) savings rates is sustained and extended? After all, that's where savings rates fell the most during the BWII period and where debt loads are the highest.

Although he doesn't believe an asymmetric rise in savings rates will emerge, Mike did accept that such an event would likely occur at the expense of the EMG exporter countries, like Brazil. It was also pointed out that, in such circumstances, the US trade deficit would continue its precipitous decline, setting the stage for a potentially sharp rise in the USD. Buying low delta USD calls should provide a pretty good hedge to a long EMG equity portfolio.

2) ***David Lofthouse of Prologue Capital recommended buying forward break-even inflation in the US and UK. He specifically likes buying US 2yr BE inflation 4yrs forward.*** He argued that, at 60bps, this is a cheap option against central banks being unable to contain a resurgence of inflation or a significant rise in long dated interest rates (inflation expectations).

Copyright © 2009 DrobnyGlobalTrading, LP.
No reproduction, transmission or distribution permitted without consent of the copyright holder.

David's overall portfolio is long the front ends of markets, based on the premise that rates will stay low for a protracted period. However, there are signs of an emerging economic turnaround which, given the aggressively stimulative policy regime, may set the scene for a future resurgence in inflation in the US and UK. He is also concerned about the potential for supply shocks from food and energy, or perhaps from a decline in trend productivity growth going forward, that could also push trend inflation higher. However, base effects and low capacity utilization rates mean inflation will be held down for a while. Hence the preference for buying forward inflation.

Several questions emerged. If he's long the front ends of many markets yet fears a resurgence of inflation, then isn't David assuming that central banks will make a policy error, or simply don't understand what they are doing with QE? Not exactly. His argument is that, given the severity of the crisis, central banks will respond slowly to any growth rebound. They have to make sure that any recovery is sustainable and, in any case, they want to make sure the trend for goods price inflation is upwards not downwards. In such circumstances an inflation overshoot or fears of an overshoot are likely to emerge when a sustained recovery emerges.

David was also asked why he chose the US and UK when you can buy very cheap calls on break even inflation using Japan indexed linkers. The Japanese market is too illiquid, he argued. He learned this the hard way in the past.

3) Paul Touradji of Touradji Capital suggested bull spreads in several commodities, including oil, industrial metals, and some ags especially soybeans. This trade structure is typically expressed by buying the commodity say, 6mths forward, and selling it 1yr forward.

This is essentially a timing trade on destocking, and Paul argued that negative sentiment on commodities is now outstripping reality. All that you need for a pick up in commodity demand is for destocking in areas like autos, for example, to slow from the rapid pace seen in Q4 2008 and Q1 this year. You don't even need an actual rise in underlying demand. Similarly, 'resource hog' China seems to have taken advantage of much lower commodity prices to start rebuilding commodity inventories.

Paul was asked whether this story was now mature. There's been a decent bounce in some commodities already. His answer was instructive. For copper, probably 'yes'. For others, 'not yet'. His guide was the shape of commodity curves. Once they've moved from steep contango to backwardation, as with copper now, then the trade is less exciting. But, many of the curves are lagging copper and thus offer more upside in the near dates.

Copyright © 2009 DrobnyGlobalTrading, LP.
No reproduction, transmission or distribution permitted without consent of the copyright holder.

4) Robert Jafek of Torrey Pines Capital recommended buying dividend swaps. They typically trade very tightly with equities, but with a slight lag. Yet, they have so far failed to join in the latest equity market rebound and are thus trading very cheap to equities. This underperformance means that the forwards are now pricing in very low dividends into the future. These swaps thus provide a cheap way to gain exposure to an economic recovery as well as inflation insurance. You can gain this exposure in the US, Europe and Japan.

The case for buying these swaps is not premised on an argument that dividends won't be cut. Rather, they just need to be cut by less than currently priced. Rob presented a neat exercise to examine the future dividend assumptions underlying the dividend swap/equity price spread. He showed that the current spread builds in future dividends in vulnerable sectors of the economy of zero – financials, autos, etc – and dividend cuts everywhere else by 35%. That's seems pretty aggressive.

The question, then, is why the swaps are trailing so much in the rebound. Rob's explanation is that a big player in the market was caught long and has been getting out of the trade as the equity rebound emerged. Although liquidity in this market has improved substantially over the past 4-5 years, it is still relatively illiquid. It can take 1-2 weeks to get out of a $50mn position.

[There is, however, an alternative explanation for this anomaly - high default risk. It's akin to the anomaly that equities have rebounded despite persistently high corporate bond spreads. When a company defaults, then of course the dividend goes to zero. If default risk remains high, then a wide spread between the overall equity market and dividend yields might persist.]

5) Steve Duneier of Grant Capital Partners presented the only FX trade of the day and recommended buying the KRW vs the Yen. His specific expression is to buy a 6mth KRW/JPY 1 touch struck at 11.0, a roughly 5-1 bet.

This cross recently reached levels not seen since the Asian crisis of 1997-98. Yet, the fundamentals are very different now. Japan has slipped into a trade deficit. S Korea, a deficit country back in 1997, now enjoys a trade and C/A surplus and holds considerable reserves. Moreover, there are some signs that the Korean economy is turning back up again, which should also help support the currency.

What about the Korean balance sheet, Steve was asked? Isn't it horrible? Well, that's partly in the price of the currency. And, economic recovery has the potential to make a balance sheet suddenly look better.

Copyright © 2009 DrobnyGlobalTrading, LP.
No reproduction, transmission or distribution permitted without consent of the copyright holder.

Is he paying too much for vol? Not really. Although the size of the move in Korea/Yen was similar to that of 1997-98, the rise in vol was much more muted. Vol on this cross isn't at all expensive, Steve claimed. And this is a cross that, when it moves, it moves real fast. [Isn't that, though, an argument for buying shorter duration 1-touches?]

6) Chris Whitney of Perennial Capital suggested buying Cocoa. Cocoa prices haven't corrected nearly as much as other commodities. Yet, despite seemingly high prices, there has been no supply response. Bean stocks have been falling, creating the potential for a pop up in prices if demand growth starts to level off.

The production of cocoa has been falling for several years, and that creates a supply shortage. There has been little new tree planting, and the gestation period from planting to harvesting is something like 3-5yrs. Production is concentrated in a few countries and the largest producer, the Ivory Coast, is a volatile and dangerous place. There is always the potential for a severe disruption of supplies. A recent drop in demand overwhelmed this supply shortage, and prices fell modestly during the commodity dump. So, though they look high relative to other commodities, remember they aren't yet high enough to prompt a supply response.

One commodity specialist in the audience questioned Chris's assumptions on demand. His own research suggested a much larger drop in demand this year than Chris was factoring in. He asked whether a better way to play cocoa is to sell the front months and buy back months. That covers you if demand disappoints in the near term while giving exposure to the underlying shortage longer term. Funny, cocoa was one of the few commodities where a dispute arose, though it was mostly a curve issue.

[Gold was another disputed commodity. It's a popular long (Section 11), yet one of the panelists mentioned before the conference (it was their second favorite trade) that gold could come down in an improved risk environment; kinda like the Yen. And, gold puts provide a backdoor way to get long the USD.]

7) John Brynjolfsson of Armored Wolf suggested buying a deflation put embedded in the spread between newly issued TIPS and off the run TIPs. The specific trade he suggested was to buy the newly issued TIP, the WI April 2014 (yielding 1.39%) and sell the 1.875% of July 2013 (1.37%). There is a 2bp pick up, but there is also a CPI put embedded in the spread trade which has some value (depending on the volatility of inflation). But, the idea is generic.

Copyright © 2009 DrobnyGlobalTrading, LP.
No reproduction, transmission or distribution permitted without consent of the copyright holder.

The trade exploits an underlying asymmetry in the way TIPs pay out. They offer a given yield plus any increase in the CPI over the lifetime of the bond. But, they also guarantee to pay at par if the CPI is less than zero over that lifetime. TIPs compensate for inflation, but less widely appreciated is that they also offer protection against deflation.

This embedded put wasn't too relevant in that past. But now, with the CPI falling recently and in an environment of enhanced deflation risk, it is more relevant today. So, new TIPs, which take today's price level as a starting point, have an advantage over older TIPs, which have as a base a price level below the current level.

If prices fall, even for a short period, the value of newly issued TIPs rises relative to older TIPs where the reference CPI is much lower. That's the embedded put in TIPs. If we experience longer term deflation, then the spread between the valuation of the new and old TIPs should continue to increase (until the starting point for the CPI of the older TIP is reached).

Brynjo's analysis neatly explains why recent TIP auctions have proven surprisingly successful. It seems there are some in the market that have understood and exploited this special feature by buying into the auctions. Too bad he explained this to all of us the day after the latest very successful auction took place! A member of the audience, excited by this concept, mentioned later that the embedded put helps explain why short maturity TIPs appear expensive right now, if you value the implicit put at zero. He also claims that the value of the put has less value for longer dated TIPs unless you expect a protracted period of deflation.

8) Hugh Hendry of Eclectica Asset Management suggested buying long duration Bunds. We started the day on a hopeful and optimistic note, but it ended with a typical Hugh Hendry flourish, a very pessimistic tone, and a fascinating discussion and debate.

Hugh's deflation story emphasized, first, the magnitude of indebtedness and thus the size of debt repayment that will weigh heavily on goods (and labor) demand going forward. He suggested that this factor greatly outweighs the size of the policy response with measures like QE, for example. And, second, he argued that there are 'oceans of capacity' built up during the bubble period to service expected GDP growth. Hugh suggested that, even in the best case where the authorities stave off outright deflation and instead stretch debt repayment into a Japanese-style decade long stagnation period, current capacity will prove far too large. The deflationary impact of both these factors seems irresistible.

Copyright © 2009 DrobnyGlobalTrading, LP.
No reproduction, transmission or distribution permitted without consent of the copyright holder.

The case for uber Bunds in particular lies in two additional factors. The first is the hesitation of the ECB. They don't want to take required action due to fear of future hyperinflation. And, perhaps more important, is the creation of the Euro itself. Hugh compared it to the return to the gold standard in 1925; it ushered in a short term boom due to improved confidence and lower rates in the periphery, but at the expense of leaving those countries with no way out of the slump. It imposed rigidity at a time when you need flexibility.

Oh boy, did this unleash a torrent of discussion and debate! Is his view that the policy makers are ***unable*** to counter the deflationary factors, or are they simply ***unwilling*** due to political limits. Hugh at first tried to argue that they are ***unable***, that the central bankers can't create enough money to counter the effects of credit contraction. He also claimed that the only time in history that QE had succeeded was in 1933, but that occurred only after an extraordinary drop in output.

This idea, that Governments are ***unable*** to thwart deflation, was frankly rejected by many of the participants. One suggested that if, say, the US Government announced the abolition of all income taxes for a multi-year period and funded the deficit by printing money, that this would inevitably turn things around. Maybe, but wouldn't that simply embolden the inflation vigilantes? And, wouldn't rising long term interest rates serve to undermine this boost?

And, in typical Hugh Hendry style, he suggested that such arguments add to his pessimism. Whether they can or can't thwart deflation, the policy makers will tend to take baby steps in fear of stirring the vigilantes. Hence look at how the US stimulus package was pared back and how central bankers keep talking about containing inflation, even though deflation remains the bigger threat. That's how big policy errors are made and, once made, it is hard if not impossible to reverse course. Hugh argued that it is now too late.

[At the end of the discussion, several members of the audience seemed more convinced, one suggesting Hugh's argument was compelling. And, the panelist who raised the issue of bi-polar behavior wanted to test his theory and quietly asked that we redo the audience questions on inflation to see if audience views had changed. Alas, we were already running over time and I didn't do this. I regret that decision and apologize for the missed opportunity.]

Andres Drobny

****Past reports can be accessed at www.drobny.com***

Copyright © 2009 DrobnyGlobalTrading, LP.
No reproduction, transmission or distribution permitted without consent of the copyright holder.

9) Drobny Award Recipients

The following two Drobny Awards were presented at this conference:

1) Best Trade at 2008 Budapest Conference: ***John Porter, Barclays,*** who suggested buying 3yr Agency bonds at the peak of the fixed income crisis.
2) Best Guest Piece: ***Hugh Hendry, Eclectica Capital.*** We've published several guest pieces by Hugh over the years, but the award was for his superb 1hr TV show, '*Don't bank on the Bailout'* which can be seen on YouTube….highly recommended.

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

1) By when will the Fed initiate the first rate increase?

Before the end of 2009	0	0%
Before the end of June 2010	5	8%
Before end of 2010	16	24%
Before the end of 2011	23	35%
After 2011	22	33%
	Total Votes --66	

2) What do you think US inflation rate will be by the end of 2011?

Below 0%	12	17%
0-2%	19	27%
2-4%	26	36%
Above 4%	14	20%
	Total Votes --71	

3) What do you think US inflation rate will be by the end of 2014?

Below 0%	0	0%
0-3%	27	40%
3-8%	32	48%
Above 8%	8	12%
	Total Votes --67	

Copyright © 2009 DrobnyGlobalTrading, LP.
No reproduction, transmission or distribution permitted without consent of the copyright holder.

4) What is your current view regarding the GOLD?

Very bullish	13	21%
Moderately bullish	20	31%
Neutral	9	14%
Moderately bearish	16	25%
Very bearish	6	9%
	Total Votes --64	

5) What is your current positioning in GOLD?

Very long	4	6%
Moderately long	17	27%
Neutral	35	56%
Moderately short	5	8%
Very short	2	3%
	Total Votes --63	

6) What is your current view regarding the OIL?

Very bullish	10	15%
Moderately bullish	26	39%
Neutral	9	14%
Moderately bearish	17	26%
Very bearish	4	6%
	Total Votes --66	

7) What is your current positioning in OIL?

Very long	3	5%
Moderately long	17	27%
Neutral	36	58%
Moderately short	6	10%
Very short	0	0%
	Total Votes --62	

Copyright © 2009 DrobnyGlobalTrading, LP.
No reproduction, transmission or distribution permitted without consent of the copyright holder.

8) What is your current view regarding Japanese Yen?

Very bullish	2	3%
Moderately bullish	9	15%
Neutral	9	15%
Moderately bearish	29	45%
Very bearish	14	22%
	Total Votes --63	

9) What is your current positioning in Japanese Yen?

Very long	0	0%
Moderately long	4	6%
Neutral	41	65%
Moderately short	16	26%
Very short	2	3%
	Total Votes --63	

10) What is the effect of quantitative easing on markets?

Stabilizing	34	68%
No Effect	2	4%
Destabilizing	14	28%
	Total Votes – 50	

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

FX: Total: 8

Largest samples:

4 Short Yen (2 vs KRW)
3 Long AUD

Most interesting/unusual:

Copyright © 2009 DrobnyGlobalTrading, LP.
No reproduction, transmission or distribution permitted without consent of the copyright holder.

Fixed Income Total: 16

Largest samples:

5 Long Front Ends (2 in Euroland)
3 Long TIPs or related

Most interesting/unusual: Sell EDU9/EDU10 calendar spread for 85 ticks

Commodities Total: 16

Largest samples:

8 Long Gold
2 Long Oil

Most interesting/unusual: ***all commodity favorite trades were outright longs!***

Equities: Total trades: 16 (including EMG equities)

Largest samples:

5 Long China
5 Short Stocks (Reits, Topix, ISRG, 2 x generic short; vs 11 outright longs)
2 Long dividend futures (!)

Most interesting/unusual: Long Small Cap Biotech Stocks

Other Favorite Trades:

Long Gamma
Long VIX
Long Midwest Farmland
Long Argentina GDP Warrants

Copyright © 2009 DrobnyGlobalTrading, LP.
No reproduction, transmission or distribution permitted without consent of the copyright holder.

PANEL BIOGRAPHIES : Santa Monica - 2009

John Brynjolfsson ~ Armored Wolf
John Brynjolfsson is the founder and Chief Investment Officer of Armored Wolf, a global macro hedge fund manager based in Orange County, CA. Armored Wolf's investment process seeks to identify and profit from the macro imbalances created by global inflation/deflation. The strategy allocates to the following sectors: Global Inflation-Linked Bonds / Commodities / Event-Linked Bonds / Emerging Market Equities / Emerging Market Debt / Emerging Market Currencies. Prior to forming Armored Wolf, Mr. Brynjolfsson spent 19 years at PIMCO where he created and grew the Real Return platform to $80 billion. Mr. Brynjolfsson is co-author of Inflation-Protection Bonds and co-editor of The Handbook of Inflation-Indexed Bonds. He holds a bachelor's degree in physics and mathematics from Columbia College and a master's degree in finance and economics from the MIT Sloan School of Management.

Dr. Mike Dooley ~ Cabezon Capital
Mike Dooley is partner and Research Director of Cabezon Capital. Dr Dooley is the leading author and originator of Bretton Woods II concept. Prior to Cabezon, he served as consultant to Deutsche Bank, as Chief Economist for Latin America, and more recently as Senior Advisor for Global Markets, with emphasis on emerging markets. Since 1992, Dr Dooley has been a professor at UCSC, Editor Journal of International Finance and Economics and from 1971–1991, he was Economist and Assistant Director at the IMF and the Federal Reserve where he focused on international finance and emerging markets research and practice. Dr. Dooley received a Ph.D in Economics from Penn State and a M.A. in Economics from University of Delaware.

Stephen Duneier ~ Grant Capital Partners
Stephen Duneier is a Senior Partner at Grant Capital Partners (GCP), a Santa Barbara based, global macro hedge fund led by Geoffrey Grant, the former Head of Proprietary Trading at Goldman Sachs. Stephen is a portfolio manager for the LiquidMacro Fund, where he specializes in emerging markets and currency options. Prior to GCP, Stephen had been a partner and portfolio manager with Peloton Partners and London Diversified Fund Management, Global Head of Emerging Markets at AIG Trading and Global Head of Currency Option Trading at Bank of America. Mr. Duneier earned an MBA in Finance and Economics from NYU's Stern School of Business with Stern Scholar distinction.

Hugh Hendry ~ Eclectica Asset Management
Hugh Hendry is the founder and CIO of Eclectica Asset Management. He has 19 years' industry experience and established Eclectica in 2005, along with a team of four former colleagues from Odey Asset Management LLP. They acquired the management contract for Hugh's global macro hedge fund, The Eclectica Fund, which was launched by Odey in October 2002. Hugh is a regular contributor to CNBC and Bloomberg as well as publishing research papers for practitioner and industry journals. Hugh Hendry graduated from University of Strathclyde with a 2:1 degree in Accounting & Economics and he also received a degree from the Institute of Investment Management & Research. Hugh wrote and starred in Channel 4's recent special "Don't Bank on the Bailout."

Robert K. Jafek ~ Torrey Pines Capital
Rob Jafek has been the lead portfolio manager for the Torrey Pines Fund since inception in 2002. He was previously Portfolio Manager and Head of International Trading at Nicholas-Applegate Capital Management. Rob joined Nicholas-Applegate in 1997, after having been a Trader with Tiger Management since 1993. While at Tiger Management, one of Rob's responsibilities was the Panther Fund. Rob was previously an associate with Morgan Stanley and a member of the firm's quantitative and risk group. His investment career started with Kredietbank. Rob earned his B.S. in finance from the University of Utah.

Copyright © 2009 DrobnyGlobalTrading, LP.
No reproduction, transmission or distribution permitted without consent of the copyright holder.

David Lofthouse ~ Prologue Capital
David Lofthouse is the founder and CIO of Prologue Capital. Prior to founding Prologue, David was Global Head of Inflation Trading at Goldman Sachs in London where he developed a wide range of experience and relationships in the global inflation trading marketplace. Previously, David worked at Greenwich Capital for 9 years in charge of Inflation Trading and was also the head trader in long duration arbitrage and zero coupon bonds. He also worked for JP Morgan for 8 years in New York and London trading government bonds. David has a BSc (Hons) M (Eng), Chemical Engineering from Nottingham University.

Paul Touradji ~ Touradji Capital
Paul Touradji is the founder and Portfolio Manager of Touradji Capital Management, a New York and Houston based hedge fund specializing in fundamental research and active investment in commodities and commodity-related equities. The firm manages approximately $2 billion and invests in both the public and private markets. Paul has over a decade of experience investing in commodities and related equities on the public and private markets. Paul began his commodities career at Tiger Management and it was at Tiger that he developed his fundamental approach to analysis and investment in commodities. Prior to Tiger, Paul's focus was on quantitative arbitrage principally with O'Connor Partners. Paul is a 1993 graduate of the University of Virginia and a CFA.

Christopher C. Whitney ~ Perennial Capital
Chris Whitney is a founding principal of Perennial Capital and is the portfolio manager specializing in coffee and cocoa trading. He spent 2004-2007 at Heritage Capital as the portfolio manager responsible for coffee and cocoa trading. Before he joined Heritage, Mr. Whitney was the head coffee trader at Framework Investment Group. In 1994, Mr. Whitney joined Cargill, Inc. where he performed strategy reviews for several business units including the Energy, Sugar and Coffee trading businesses. Mr. Whitney also served as a trader at Cargill Cocoa and finally as a senior trader at Cargill Coffee. Mr. Whitney served five years in the U.S. Navy as a design engineer and program officer for the nuclear submarine force achieving the rank of Lieutenant. Mr. Whitney graduated from Cornell University in 1987 with a BS in Engineering (with distinction) on a NROTC Scholarship and earned an MBA from Stanford University in 1994.

Drobny Global Advisors, LLC is an independent research firm. This report is provided solely for informational purposes. It is not intended as an offer to buy or sell any instrument or security nor as advice or recommendation to participate in any particular trade or trading or investment strategy. The content of this report is based on or derived from information generally available to the public from sources believed to be reliable. No representation or warranty, express or implied, is made as to the accuracy or completeness of such information. Past performance is not an indication or guarantee of future performance and no representation is made regarding future performance. Opinions expressed in this report may be changed without notice and may be inconsistent with, and reach different conclusions from, prior or subsequent reports. This report may not be reproduced or redistributed to any other person, in whole or in part, without prior written consent from Drobny Global Advisors, LLC.

This report does not consider the specific investment objectives, financial situation, or particular needs of any specific person, fund or institution. Accordingly, recipients bear responsibility for their own investment research and decisions and should seek the advice of qualified advisors, and perform their own due diligence, before making any investment. From time to time, Drobny employees may trade for their own accounts in markets covered by the Drobny Global Monitor. Additionally, guest research pieces written by outside parties may describe trades, trading strategies or investment products in which the authors or their firms have or intend to acquire positions.

Copyright © 2009 DrobnyGlobalTrading, LP.
No reproduction, transmission or distribution permitted without consent of the copyright holder.