

November 8, 2010 **Oil Price Information Servies** **Funds Take Crude Oil Length to Another Record High**

Even before the Federal Reserve gave some details on its quantitative easing or "QE2", fund managers amassed another record long position in WTI crude oil futures, latest data from the Commodity Futures Trading Commission (CFTC) shows.

The total number of contracts held by large non-commercial longs (generally thought to be representative of commodity pools, index funds and other financial trading houses) hit 347,698 contracts in Friday's CFTC Commitment-of-Traders report. That easily topped the 337,484 total that established the high-water mark just three weeks ago.

The CFTC report is a snapshot of positions held on Tuesday afternoon. Hence, the Friday report pictures Tuesday market participants who were anticipating an easy money policy by the Fed, but had not yet received confirmation of such a move. Some observers believe that this Friday's report will almost certainly shatter last week's record.

For perspective, the "long" column in the weekly CFTC review of large positions during 2008 never topped the 302,206 number recorded in late February. Earlier this year, the market hit its record "net long" position, which reflects the number of positions on the buy side and subtracts the number of short sellers. Crude oil's net length topped 219,000 contracts in the April 6, 2010 CFTC report. Last week, it inched up to 208,226 contracts.

History will determine whether the Federal Reserve's "QE2" policy fails, or represents a measured step toward a stable U.S. economy. But thanks to the more accommodative money policy, there's a good chance that speculation and "investment" in oil futures and options will exceed the bubbly levels of last April.

Most banks seem thrilled by the prospect of nearly interest-free money well into 2011. Several investment houses were touting \$90-\$100/bbl earlier this month, and the bullish ranks may swell further in the weeks ahead.

Surprisingly, refined products are not necessarily viewed with the same rose colored glasses. There was actually a drop in the net long position for heating oil last week. Some 4,216 contracts, or just over 4.2 million bbl worth of paper distillate, were liquidated among buyers and short sellers added 596 positions. The net long position of 27,606 contracts in NYMEX heating oil contracts represents an unremarkable bias for November.

The same thing holds true for RBOB. Gasoline blendstock buyers sliced 969 contracts off their positions, and short sellers also trimmed their portfolios.

The net long position in RBOB stands at 58,287 contracts.
