

# JWH MARKET COMMENTARY

APRIL 2009



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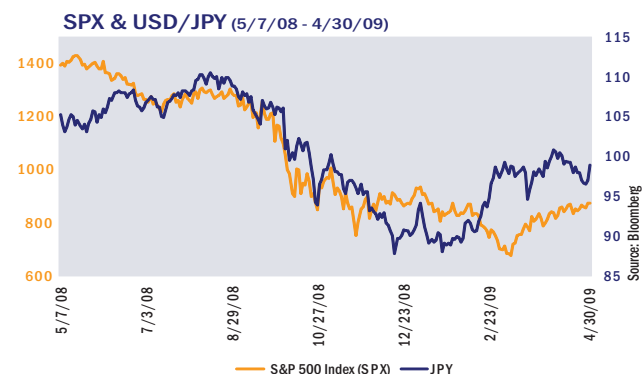
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# INVESTORS OPTIMISTIC DESPITE WEAK ECONOMIC DATA

April results were mixed with the two sector focused programs producing small gains while the broadly diversified and financial programs incurred modest. The performance volatility of most programs remains relatively low, which is directly related to the fact that position sizes are small, model signals are mixed and the markets themselves continue to trade within ranges while exhibiting less volatility than they have for some time. The macro-economic backdrop is certain, but pockets of optimism are beginning to sprout and market participants have discounted the present malaise and are looking forward to better days. This improvement in sentiment can be traced to the equity markets, where the strong advance continues. The S&P 500 returned more than 9 percent in April, while the MSCI EAFE returned more than 11 percent. Similar optimism could be found in the interest rate markets, where Fed Funds futures are signaling that economic conditions will be sufficiently improved in 2010 to allow the Fed to end the current “zero interest rate” policy. The credit markets were also showing modest signs of improvement as Libor rates, for example, continued their decline. Sector attributions across the JWH programs were mixed, which is not uncommon during periods of directionless trading. In aggregate, however, it could be said that gains in the energy, equity and agricultural sectors were not enough to offset losses in currency, metals and interest rates.

**CURRENCIES** – The currency sector was the worst-performing sector for JWH’s diversified programs in April. A significant portion of the losses in this sector came from trading in the Japanese yen. This is one of the few markets in the sector where the programs held a significant position. Due in part to their liquidity and low yield, the Japanese currency has traded off of risk sentiment. When equity markets sold off and fear was high the Japanese yen would rally as investors’ eschewed

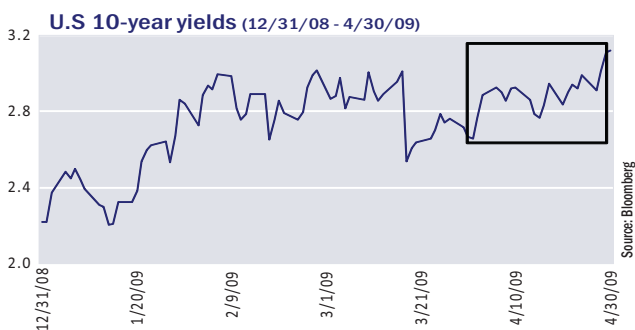
yield and carry-seeking trades in favor of safety. This relationship seemed to break down in April as the yen rallied in the face of a strong stock market and emerging signs of greater risk taking. The reasons for the breakdown in this relationship are hard to determine exactly; but it is possible that the divergence may say something about the sustainability of this new wave of positive sentiment.



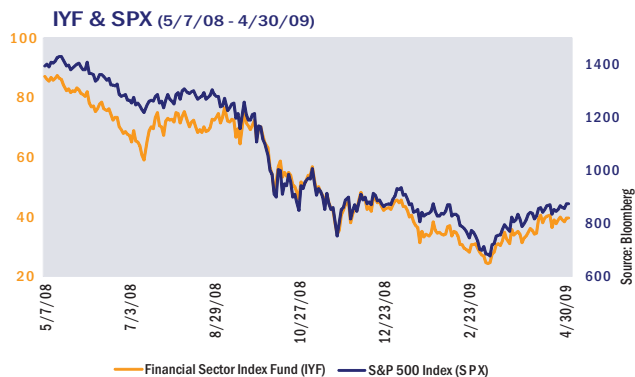
JWH’s currency program, JWH International Foreign Exchange Program, was able to profit from strong moves in some of the portfolio’s exotic currencies. The South African Rand posted its steepest monthly gain since September 1986 as investors bet rate cuts by South African’s Reserve Bank may help the continent’s largest economy avoid the worst of the global recession. The Brazilian Real also rallied against the USD in April in response to improvement in commodity prices and a return of foreign investors to Brazil’s stock market.

**INTEREST RATES** – JWH held a mix of long and short positions in interest rates for most of April, which resulted in small losses for our programs. While much of the economic data released during the month (including durable goods and data on the housing market) affirms the fact that the U.S. economy is presently quite weak the results generally proved to be better than the market’s pessimistic expectations. These positive surprises

helped to improve sentiment and reduced the allure of bonds as investors continued to take on more portfolio risk. The benchmark U.S. 10-year yield rose 46 basis points during the month to close April at 3.12 percent. While there was a clear move down in certain bond prices during the month, the price action across the sector could easily be viewed as corrective action inside a longer-term up move. In general, our trading models are not building significant exposure in what continues to be a market environment that lacks clear direction. Small gains in Japanese government bond trading were not enough to offset small losses in European bond trading.

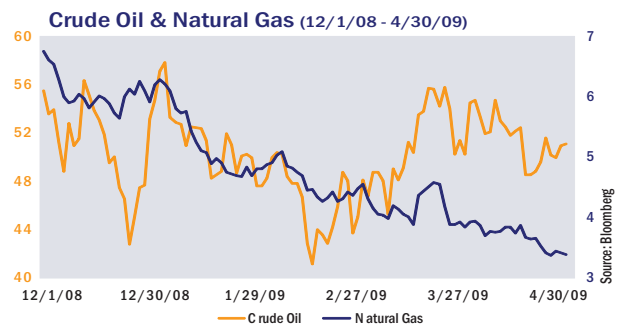


**GLOBAL STOCK INDICES** – Global equity prices continued their rally from depressed prices and the lows of the first quarter. Financial shares led the way even as the threat of the Treasury’s stress test loomed large over the markets. Government plans and their general intervention into the U.S. automotive industry also grabbed headlines in April but did little to slow the market. While the moves off the lows in global equity prices have been substantial, when viewed in the context of longer-term price action, it is not clear that new long-term price trends have been established.



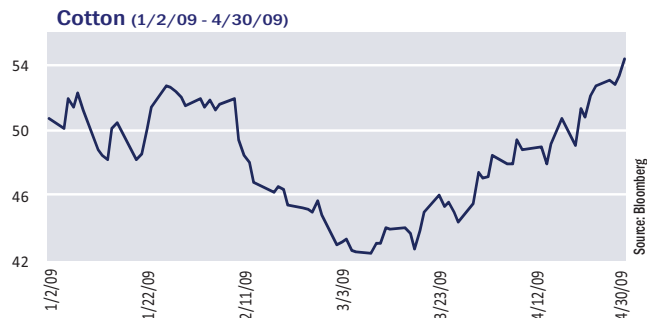
The S&P 500 was down 3.4 percent for the year even after the big moves over the past two months. JWH trading models have put it on the sidelines for a good part of the month as it adjusts to the recent price action. This generally neutral position left little opportunity for either gains or losses. The majority of JWH programs captured small gains as trading in U.S. and Japanese markets offset small losses in European trading.

**ENERGIES** – The energy markets on balance had a positive effect on performance in April with much of the gains coming from the sustained downtrend in natural gas prices. U.S. natural gas prices set a six-year low during the month with spot prices approaching \$3 per btu. The slowing economy, an expansion in global liquefaction capacity, and relatively benign weather patterns are all factors weighing on natural gas. The crude oil market lacks clear direction with nearby price trading in a range near \$50 per barrel. The U.S. Department of Energy weekly data on U.S. inventories indicated a modest improvement in the supply dynamic as the month passed. JWH diversified programs benefited as gains from trading in natural gas were sufficient enough to offset small losses in crude oil and crude oil product markets.

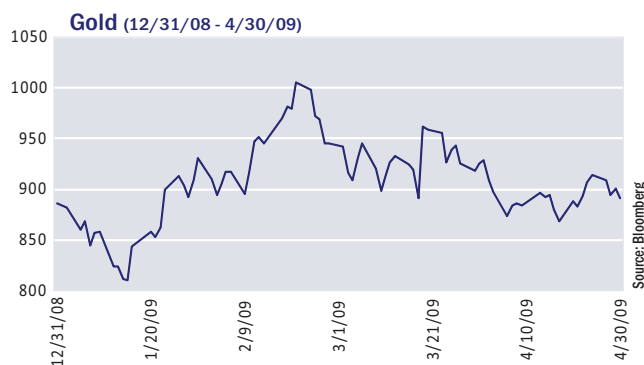


**AGRICULTURAL COMMODITIES** – While energy prices have been less than robust for much of the year other areas of the commodity complex have started to show signs of life. For example, cotton is up more than 30 percent in price since the equity market low in March. As a consequence, the agricultural sector of JWH programs made positive contributions to performance in

April. Positions over the course of the month were mixed but the sector was led by strong gains in the prices of cotton, sugar and soybeans. The economic data from parts of Asia, including China and Korea, was encouraging and has led to speculation that global demand for commodities will re-emerge and push prices higher.



**METALS** – JWH trading in the metal sector was quiet as exposures were also quite low for most of the month. Gold continues to trade in a choppy fashion alternately taking its cues from its status as a store of value in times of strife and as a hedge against inflation and as a de facto currency. The changing winds on all these fronts have made Gold a very difficult market to trade. Similarly, the programs suffered small losses in its trading in the Silver market. Trading in industrial metals resulted in flat performance for the month.



**CONCLUSION** – While the results for the month ranged from slightly positive to modestly negative, returns were reasonable given the set market conditions that prevailed in April. The year-to-date performance of JWH programs can be viewed as a normal correction in our programs performance cycle and in line with the reversal in many of last year’s extended price moves. At present, JWH’s aggregate overall exposure is light as it

stands ready to potentially take advantage of new developing price trends. These trends could form in an extension of some of the moves witnessed in April and a revival in global growth or from the unintended consequences of massive government intervention into the economy.

In any event, there has been a consolidation in many of the market sectors that JWH trades which may inevitably prove to be the foundation for the programs next move up in performance.

*KS Webster*

Kenneth S. Webster

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PAST PERFORMANCE IS NOT INDICATIVE OF FUTURE RESULTS