

# JWH MARKET COMMENTARY

AUGUST 2009



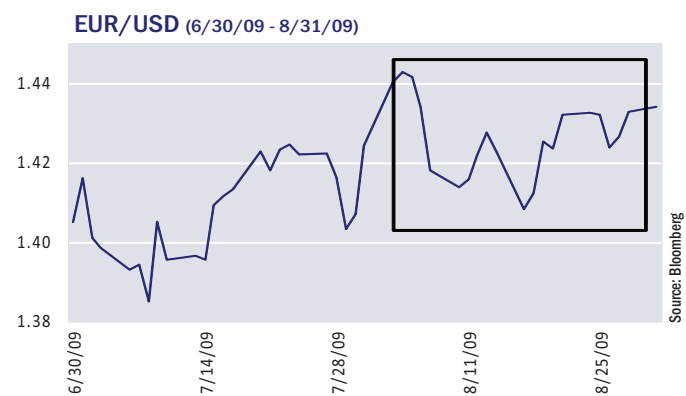
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# RECOVERY CONTINUES ALTHOUGH IMPACT IS NOT WIDESPREAD

JWH programs turned in mixed performance in August. JWH Diversified Plus and JWH World Commodity Portfolio produced positive results, while JWH GlobalAnalytics<sup>®</sup> and our other financial-based programs turned in modest losses. The trading environment that prevailed for most of the month was very similar to what has been in place in prior months. The economic data, on balance, continues to point to an improving economy. The National Association of Realtors, for example, reported that sales of existing homes rose 7.2 percent in July. It was the fourth straight monthly increase and the highest level of sales since August of 2007. At the same time, market sentiment continues to improve. Most global equity indices turned in positive performances, with the S&P 500 posting a 3.6 percent return for the month, albeit on seasonally low volume. Volatility measurements, including the popular VIX index, are well off the year-to-date highs and trading at pre-crisis levels. The relative complacency of investor flows, while positive for stock prices, did little to inspire much activity in other asset classes. Trading in the programs was relatively subdued during the month with much of the gains coming from small moves in legacy positions.

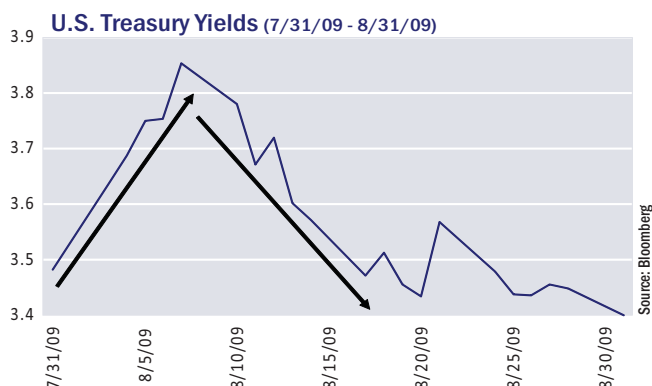
**CURRENCIES** – While September and October are renowned for being dangerous months for equity investors, August has that reputation in foreign exchange circles as it arguably ushered in the start of several historically important events, including the ERM crisis in 1991 and the Asian currency crisis in 1997, to name a few. The fireworks did not explode this summer as the virtual sideways trading pattern of the major European currencies extended into its third month. The fading allure or need for the dollar as a

safe haven had little impact on European currencies. The euro/USD exchange rate moved from 1.4257 to just 1.4334, even as expectations grew that European central banks would be the first to unwind monetary stimulus.

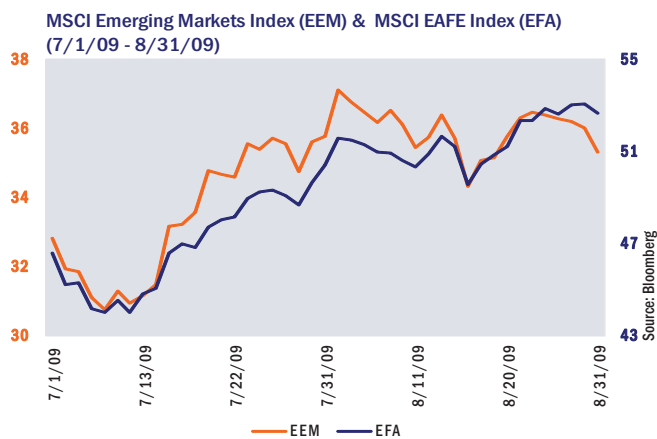


**INTEREST RATES** – Losses were incurred in the interest rates sector as the markets were unable to establish any trends. Global interest rates started the month moving higher as evidence of an improving economy mounted. Sentiment benefited from soothing words from U.S. Federal Reserve Board (the Fed) Chairman Ben Bernanke. Speaking at the annual Fed conference in Wyoming, Bernanke noted that “the prospects for a return to growth in the near term appear good”. The recent tendency of the markets to follow Newton’s third law means that the move higher in interest rates that occurred early in August was met with an opposing force that pushed them in the opposite direction. The benchmark U.S. 10-year yield moved from 3.47 percent at the start of the month to a peak yield of 3.89 percent near mid month, only to fall back and settle the month of August at 3.40 percent, just 7 basis points from where it started the month. Trading in a number of global interest rates followed a similar pattern, which resulted in small

losses for most of the markets traded in the sector.

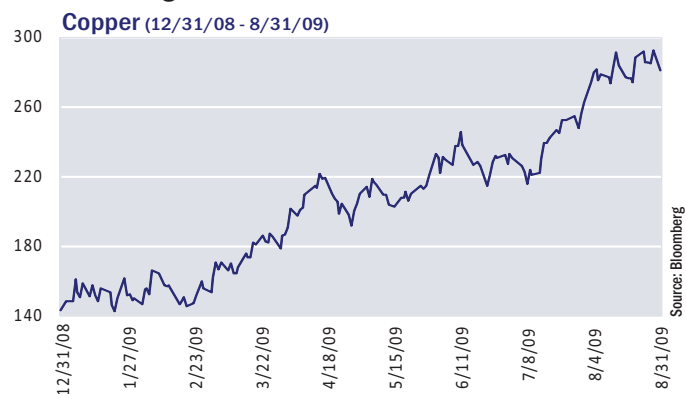


**GLOBAL STOCK INDICES** – The S&P returned 3.6 percent for the month marking six consecutive months in a row of positive performance for the index, which settled the month more than 53 percent above the March lows. Stock prices in Europe and Japan have also enjoyed a similar run of strong performance. JWH positions in U.S., European and Japanese stock index futures were all profitable in August. An interesting dichotomy developed in August that bears watching in the months ahead. While the major equity markets around the world were mostly positive, many of the markets in developing countries suffered losses including the important Shanghai market, which was down more than 20 percent for the month. For August, the MSCI-World Index was up 3.9 percent, while the MSCI Emerging Market Index was down 0.2 percent.

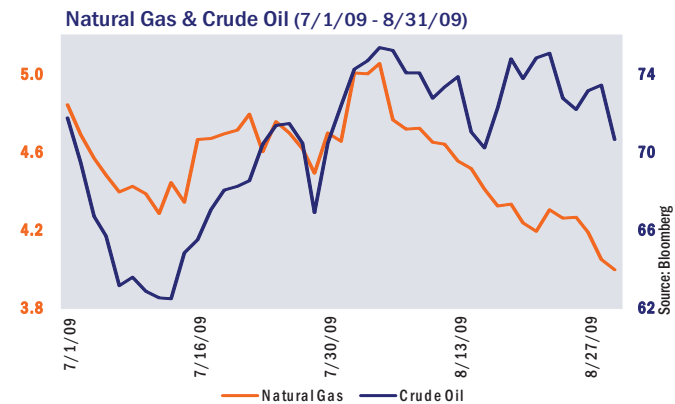


**METALS** – In an otherwise quiet month, the metals sector was a performance leader for a number of JWH programs thanks to strong gains from the industrial

metals sector and copper in particular. Copper prices on the London Metals Exchange rallied 13 percent to an 11-month high on the back of strong demand from China, declining warehouse inventories, and optimism about the prospect for continued improvement in the global economy. While trading in the precious metals markets were relatively subdued, some programs were able to manage a modest profit in gold while trading in silver was flat.



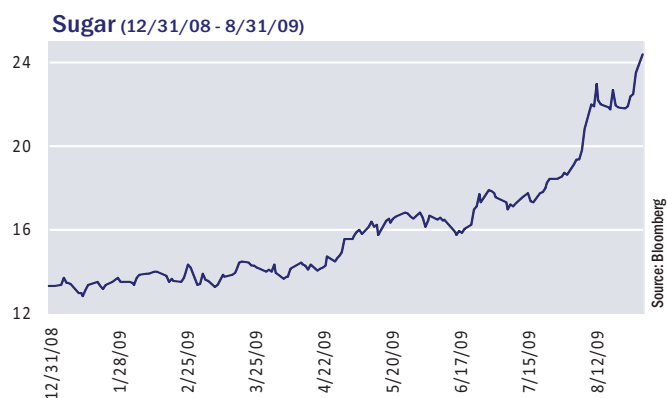
**ENERGIES** – The energy sector produced negative performance as crude oil and crude oil products finished down on the month. Trading in the sector remains very much in the cross hairs of regulators as they seek to gain a greater understanding of how speculation impacts prices. The benchmark crude oil contract breached the \$75 per barrel level on numerous occasions during the month but was unable to hold this level and finished August down 2.5 percent. Natural gas remains firmly in a downtrend as it made fresh multi-year lows during the month.



The fundamental picture for natural gas remains bear-

ish with the supply of natural gas in storage at near record levels. The forward curve reflects this glut as front month natural gas is being priced at close to 50 percent to those trading for delivery one year in the future. Gains from natural gas only partially offset the losses from the other markets in the sector.

**AGRICULTURAL COMMODITIES** – JWH’s programs were able to generate gains from trading in the agricultural sector as they continue to profit from the bull market in sugar. Prices surged 31 percent during the month reaching a 28-year high. Global weather events have upset the supply demand dynamic as weak monsoon rains in India, which is the main source of irrigation for farmers, are causing drought-like conditions. On the other side of the world, excessive rainfall in Brazil, the world’s largest sugar producing nation, is hampering harvest and creating problems for the crop. The programs also benefited from the bear market in certain grain prices. Position in wheat, corn and sugar were profitable for the month.



**CONCLUSION** – While not every JWH program turned in positive performance in August the results are not unexpected given the market conditions present during the summer. Portfolios with a longer-term perspective and higher commodity content outperformed portfolios dominated by financial contracts. Outside of equities, the financial markets have been range-bound and lacking direction with volatility rel-

atively low across the board. This may prove to be the calm before the storm. The basis of all JWH programs is a systematic and disciplined approach to investing and we stand ready to provide investors the protection needed during the possible turbulent times ahead.

We thank you for your patience and continued support.

Kenneth S. Webster  
President and Chief Operating Officer

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PAST PERFORMANCE IS NOT INDICATIVE OF FUTURE RESULTS