

# JWH MARKET COMMENTARY

JUNE 2008



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COMPANY

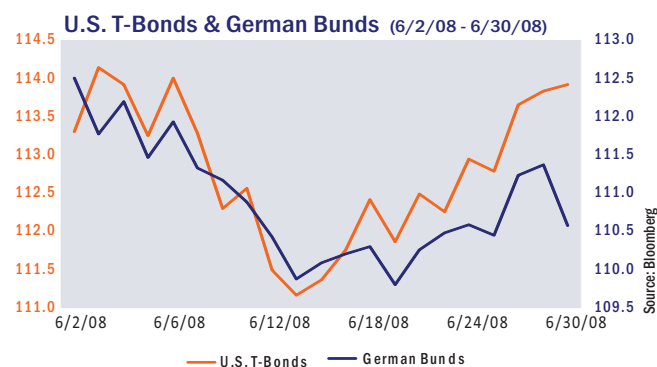
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# COMMODITY BULL RUNS THROUGH ECONOMIC UNCERTAINTY

JWH's run of strong performance continued in June. The JWH GlobalAnalytics and JWH Diversified Plus programs have now generated positive returns in nine of the past ten months. While many strong macro economic trends, including weakness in the housing market, the rationing of credit, and significant stress in the financial system, remain intact and continue to pressure global equity prices, many financial markets continue to be choppy and devoid of clear trends. The majority of the gains for our programs came from the commodity markets where the global demand for energy continues to push prices higher at the same time major flooding in the Midwest was impacting the outlook for the future supply of grain. JWH's long-term perspective has allowed us to continue to benefit from the extended bull market in commodities even as the currency and bond portions of the programs struggle to find clear trends amidst a seemingly ever changing outlook for both growth and inflation.

**INTEREST RATES** – In spite of difficult market conditions, JWH's programs were able to limit losses from the interest rate sector. Global bond prices were generally grinding lower in early June, continuing the trend from the prior month. However, a marked change toward a more hawkish tone from central banks, declining stock prices and the flight to quality buying were powerful forces that combined to disrupt this trend. The outcome of the June Federal Reserve Board meeting was notable because it was the first meeting that did not result in a reduction in the Fed Funds rate since August of 2007. Since that time, the Federal Open Market Committee has reduced interest rates at seven consecutive meetings, bringing the Fed Funds rate down from 5.25 percent to 2 percent. Tightening monetary conditions may have weighed on equity prices. The U.S.

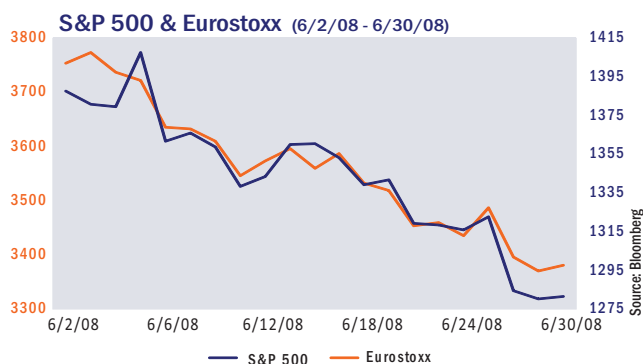
benchmark yield fell from an intra-month high of 4.27 percent on June 17<sup>th</sup> to close the month below 4 percent amidst heavy quarter-end selling in the stock markets. Positions in U.S. and Japanese bonds were unprofitable but positions in European bonds fared better because the extent of the price reversal was more muted.



**CURRENCIES** – The major currency markets continued to trade in broad, uneven ranges, unable to find direction from changing and conflicting signals on the economy and global interest rate differentials. The dollar attempted to rally from its weakened state early in June only to fall back later in the month as the stock market declined, risk was reduced, and U.S. interest rates fell. Trading in currencies was unprofitable for the month as gains from trades in the Swiss franc and Euro were unable to offset losses from positions in other currencies.

**GLOBAL STOCK INDICES** – Global equity markets suffered significant declines during the month of June as higher energy prices, tighter monetary conditions and continued stress in the financial sector depressed sentiment and prices. For example, the S&P 500 was down 8.6 percent for the month. The Dow Jones Industrial Average approached bear market territory as the decline from its high is near 20 percent. International markets were not immune from the sell-off. The MSCI world

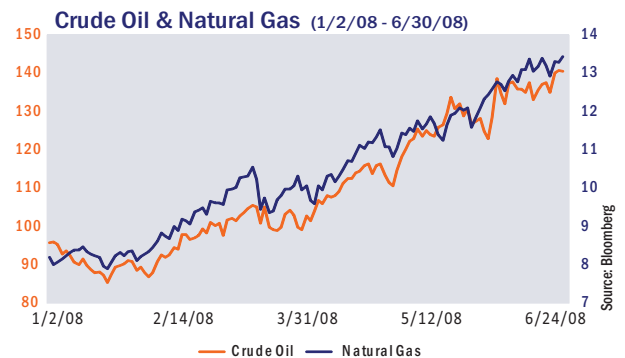
stock index declined more than 8 percent in June, extending year-to-date losses for the first half of 2008 to 10 percent. Financial shares led the decline. Many of the major averages have violated or are challenging the lows of March. In contrast to March, when market volatility was extremely high and the Fed was engineering a bailout of Bear Stearns, the price action in June was relatively tame with the move lower being more of a steady, persistent decline. Performance in this sector was negative as JWH programs entered the month with a mix of both long and short positions.



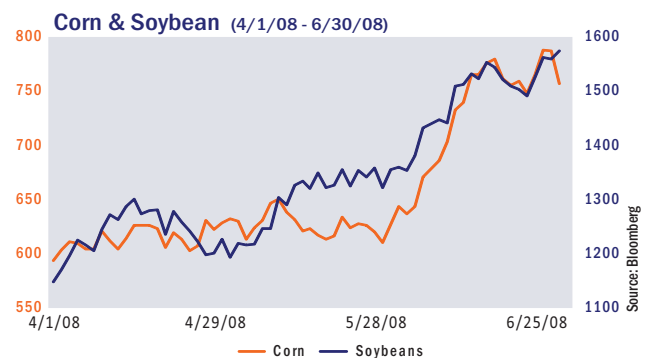
**METALS** – Trading performance in the metals sector was also negative. Metals prices staged a rally in the second half of the month, prompted by renewed selling in the dollar and the flight to quality buying of hard assets. For most of the month, however, positions in both precious and base metals were light as the price action was largely directionless.

**ENERGIES** – A good portion of the recent gains for our programs came from the energy sector as crude, crude products and natural gas continued to move higher. JWH programs have enjoyed five consecutive months of strong positive performance from this sector. The gains came in spite of efforts by officials to steer the market lower. On June 19<sup>th</sup> China announced that they would be raising crude and jet fuel prices by more than 15 percent. The market initially tumbled on the prospect for lower demand from one of the world's largest energy consumers. The market not only recovered from this

news but went on to post another record high at month end as analysts began to reassess China's announcement, the dollar and stock market slides and the rise of geo-political tensions in the Middle East.



**AGRICULTURAL COMMODITIES** – The agricultural markets, and in particular grains, were another bright spot for JWH. Corn and soybean prices started the month moving higher as torrential rains pounded the Midwest growing regions. This move gathered steam as the month wore on and the heavy rains caused major flooding in critical parts of the grain belt including Illinois and Iowa. Uncertainty over how the floods would impact plantings and future yields pushed corn and other grain prices up sharply with corn finishing the month more than 20 percent higher than the previous month's close.



**CONCLUSION** – June's market headlines were dramatic and spoke to the very real issues of declining global stock markets, floods, strains in the financial system and a global energy crisis. JWH's investment style, however, is dispassionate and only reacts to trends in prices.

The long running trends in commodity prices once again generated gains for our programs while the turmoil in the world economy had the effect of disrupting price action in the financial markets which created challenges for other parts of the programs portfolios. Market diversification and non-correlation to stock and bond long only investments continues to provide investors protection during these uncertain times.

We thank you for your continued support.

Kenneth S. Webster

Handwritten signature of Kenneth S. Webster in black ink.

President and Chief Operating Officer

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PAST PERFORMANCE IS NOT INDICATIVE OF FUTURE RESULTS