

# JWH MARKET COMMENTARY

JUNE 2009



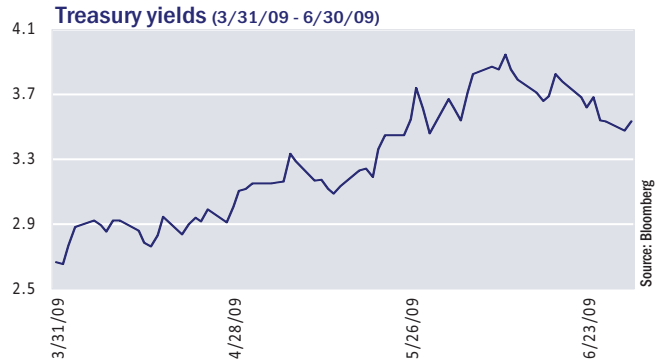
JOHN W  
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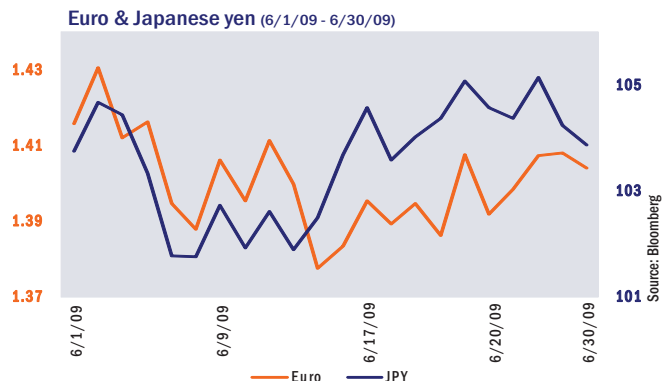
# MOMENTUM STALLS AS INVESTORS AWAIT NEW STIMULUS

June was a difficult month as many of the trends that emerged in May stalled or reversed direction. The second quarter of 2009 may be notable in that the dense clouds of pessimism and fear that gripped the markets for much of the previous six months appeared to lift – if only for a time. The global equity markets posted the best quarterly performance in almost a decade. Certain credit spreads and measures of market volatility returned to levels that preceded the Lehman Brothers bankruptcy. The seeds of optimism, which grew during the beginning of the 2<sup>nd</sup> quarter and were a force behind the price trends that made May a successful month for JWH programs, seemed to wither toward the end of the quarter. While the markets have certainly moved away from the cataclysmic levels of recent history, they are also lacking momentum and are possibly at a turning point.

**INTEREST RATES** – A good portion of the losses came from the interest rate sector, where there was at least a temporary reversal in the trend toward higher global interest rates. The higher yields seemed to provide sufficient enticement to attract demand as the U.S. Treasury was successful at auctioning off a record amount of government securities during the month. The U.S. benchmark 10-year yield fell from its year-to-date high of 4 percent to close the month 47 basis points off the high at 3.53 percent. Purchases of U.S. debt by foreigners did not wane in June, while the Chinese central bank announced that they would maintain the status quo vis-à-vis its foreign currency reserve policy. The macroeconomic backdrop was supportive for bonds as the jobless rate continued to rise in June while the housing market continues to slump. The majority of positions in this sector were unprofitable with the largest losses coming from positions in eurodollars and Japanese Government Bond futures.

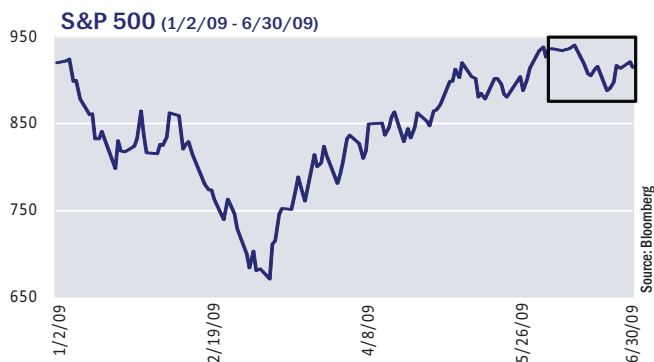


**CURRENCIES** – Performance in currencies was slightly negative in June as gains from trading in European currencies were not enough to offset losses from trading in the Japanese yen. Currency returns for the month were to some degree incidental as the price action in most major currencies was devoid of any significant movement. This has been the case for most of the year as the price action in currencies has been directionless amidst declining levels of volatility. Exchange rates seem to be constrained by the inflationary repercussions of quantitative easing policies and the deflationary effect of the global growth slowdown. The euro traded in a narrow range for most of the month as it opened June trading at 1.4150 and closed the month trading at 1.4040.

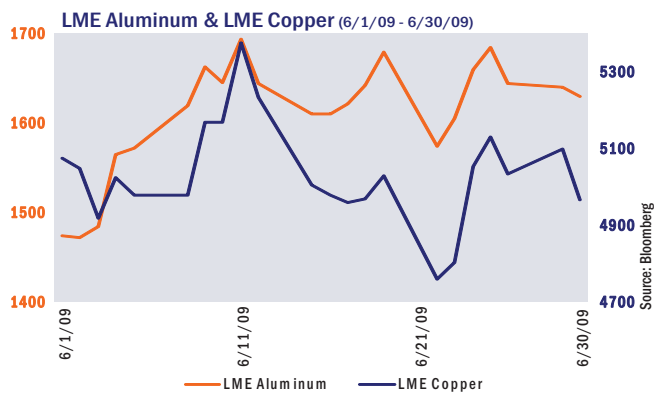


**GLOBAL STOCK INDICES** – While equity markets worldwide have recovered from the multi-year lows put in during March, the rally lost momentum in June. The S&P 500 managed to mark a new high for the year in

June when it traded at 952.50, which was 42 percent above the low made in March. While this price action highlights the velocity of the correction in stock prices from the recent lows, the price action in June was much more subdued. The S&P 500 was actually up less than 1 percent during the month. The programs managed small profits from its positions in U.S. and Japanese equity index futures.

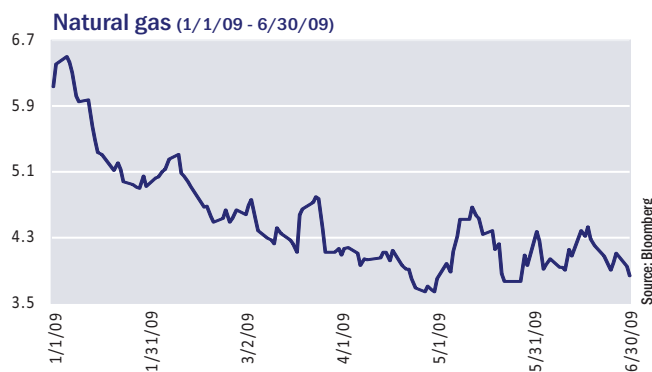


**METALS** – Precious metals prices retreated during the month of June. While gold maintains a negative correlation to the U.S. dollar, in June the metal seemed to key off some of the same themes as the bond market, where fears of inflation have for the time being taken a backseat to other issues affecting the financial markets. The programs suffered losses in its trading of gold. Base metal trading was choppy during the month with aluminum proving to be especially difficult. Producers have been effective in reducing supply in response to slowing global demand which has left the market directionless above first quarter “crisis” levels.

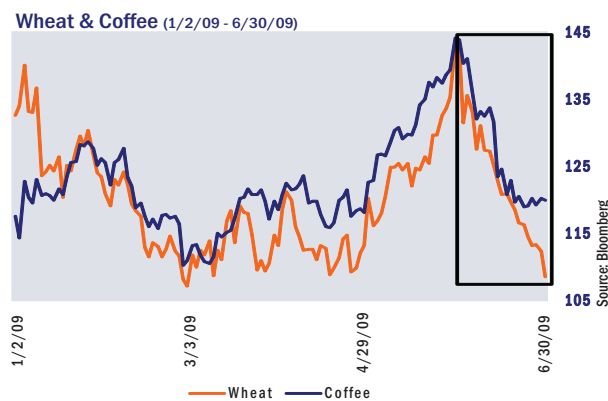


**ENERGIES** –The energy markets contributed positively to JWH’s performance in June. The direction of crude oil has loosely followed the path of equities for much of

the past year. While crude oil is up substantially from the lows of February and March, upside momentum did seem to slow in June. Near month-end the International Energy Agency cut its five year forecast for crude demand and sees demand falling every year through 2013. While crude did trade above \$70 per barrel during June, the month on month change in the August contract was only \$2.82. Daily volatility in natural gas has been trending higher but the month on month change was negligible. The August contract opened the month at \$3.95 and closed the month at \$3.84. As a consequence of this price action gains and losses across the sector were muted.



**AGRICULTURAL COMMODITIES** – Losses in the agricultural sector were more significant as major reversals in wheat and coffee hampered returns.



As a sub-sector, grains fell sharply during the month after China announced that grain imports are expected to fall by close to 10 percent in 2009 and 2010. At the end of month, grains fell further following the USDA crop report that showed an increase in plantings. The programs were stung by a sharp retreat in the price of

coffee. The coffee market started the month strong and traded at a yearly high of 144.50 on the first day of the month. The market then proceeded to fall nearly in a straight line to close the month at 119.90 which represents more than a 17 percent fall in less than 25 trading days. The programs trading models reduced exposure to the market at different points during the month which limited overall losses.

**CONCLUSION** – While it is disappointing to post negative performance in June, the losses are understandable when close consideration is given to the sharp reversals in some sectors and the very subdued state of the remaining market sectors traded. At the end of this month and quarter, the markets appeared to have run out of steam and fresh impetus was needed to sustain the trends that emerged in May. There are a plethora of potential economic and political stimuli: calls for additional monetary stimulus of up to \$600 billion to supplement the TARP, administration proposals for aggressive regulatory reform that has economists split on whether the proposals will do more harm than good, and potential military conflict across the globe.

Regardless of the actions taken and the corresponding reactions by the markets, the programs will continue to receive JWH's dispassionate and systematic evaluation of the results and participate in the potential trends that may emerge.



Kenneth S. Webster  
President and Chief Operating Officer

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PAST PERFORMANCE IS NOT INDICATIVE OF FUTURE RESULTS