

Back to the Futures



by Jerry F. Welch

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Forward

Over a long weekend, when I had some time on my hands, I decided to review some of the newspaper columns and market letters that I've been writing for over the past ten years. Two things surprised me. First was the fact that I've actually been writing a column for ten years. Second, I was surprised that I didn't lose my mind during the "Don't worry, be happy," 1980's.

My writings are supposed to deal with the futures markets. Or as I prefer to call them, the Big Four: stocks, bonds, currencies, and commodities. But the editors of the newspapers I write for have been kind to me over the years. They have allowed me to write about whatever strikes my fancy.

Consequently, my writings have become discussions of fishing trips, movies, books, personal experiences, tall tales, outright lies, half truths, the whole truth, and sometimes, nothing but the truth. Mostly however, I analyze the Big Four and suggest trading and hedging strategy for investors, speculators, and agricultural producers.

This book is mostly a compilation of just some of the writings I have done since 1980s. Parts are from my newsletter which began in 1985, others are from my newspaper columns and some things I have written specifically for this book. Consequently, much of the writings cover 1985-1989. There was simply more to choose from in that period.

However, it was not my intent to write a totally serious or scholarly book about the 1980s future's markets. I will leave that to others. I do, however, intend for this book to be accurate, entertaining, easily read, and educational.

I don't think there has ever been a decade quite like the 1980's. Unprecedented global peace, worldwide economic growth, incredible price fluctuations for stocks, bonds, currencies, and commodities, greed beyond belief and scandals—mind bending in scope—have highlighted this decade. It has been a unique period in the 20th century.

But as I said before, I don't want to become too serious. After all, I've never been totally serious in previous writings and there is no sense in starting now. Besides, if I become too somber I'd probably put people to sleep. Or worse, I wouldn't be able to sell this book.

In the beginning

When I first entered the futures industry in 1970, the only markets that were being traded were grains, livestock, eggs, broilers, potatoes, and tropical markets such as cotton, sugar, cocoa, coffee, and orange juice. A few metals were also traded such as silver, platinum and copper. In the 1970s, however, it was still illegal for Americans to own gold. Therefore, there was no futures market for gold.

When I joined the industry, the markets opened and closed at decent hours. At least I thought they were decent. “Bankers’ hours” I used to call them.

Here in St. Louis, the livestock markets opened at 9 a.m. and by 9:30 a.m. every other futures market was open for business. At 1 p.m. the livestock closed for the day, grains at 1:15 and by 2:00 all other futures markets were closed and the day was over.

Now those were great hours!

Things are a lot different now. Today, there are futures markets for dozens of commodities, stock indexes, bonds, t-notes, t-bills and even options on each contract.

The growth of the financial markets (stocks, bonds, and currencies) in particular, has been amazing. In a few short years, they have become the most heavily traded futures markets as well as the most volatile. They are without a doubt, the wildest and most difficult of all futures markets to trade successfully.

While all futures markets can be cruel, the financials seem more ferocious than most. The volatility and price swings that take place in the three financial markets is simply phenomenal. That is why I have resorted to labeling those three markets as the Bermuda Triangle of Investing. Many an investor involved in stock, bond or currency futures have disappeared, never to be heard from again.

The birth of the financial markets also brought an end to the “bankers’ hours” that I’ve always enjoyed. Today, the foreign currency, metal, and interest rate markets open for trading at 7:20 a.m. and close at 2 p.m., while stock index futures continue to trade until 3:15 p.m. In other words, the markets now are opening an hour and forty minutes earlier and closing an hour and fifteen minutes later than they did 20 years ago.

But wait! There is more to this sad tale of longer working hours for futures traders. The bond market re-opens at 6 p.m. and closes at 9:30 p.m. Sunday through Thursday. Yes, Sunday! The evening sessions for bonds, however, is really the beginning of the next day’s trading for the interest rate markets. The night sessions for bond futures was established to coincide with the opening of the Japanese stock market.

In other words, the financials futures have spawned global investing and a shift towards 24-hour trading. Personally, I prefer bankers’ hours.

Don't worry, be happy

There is a great difference in the psychology of the early '80's as compared to the late '80s. Earlier in the decade many feared that the U.S. economy was about to slide into a depression similar to that of the 1930's. There was so much doom and gloom in the marketplace between 1980s and 1982 that it's unpleasant to read about it even today.

In the latter half of the '80's, however, it seemed that everyone's attitude changed and the psychological mood was much more upbeat. As a matter of fact, in 1988, Bobby McFerrin wrote a song which, in my opinion, should be designated the theme song of the '80's. It was entitled, "Don't Worry, Be Happy."