

COT on forex and commodities

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Key points:

- The Commitment of Traders update highlights futures positions and changes made by hedge funds and other speculators across commodities and forex during the week to last Tuesday, 20 October 2026.
- Forex: Speculative dollar longs versus eight IMM futures remain historically elevated, but the lack of a sustained rally raises the risk of a positioning-driven reversal.
- Commodities: Six consecutive weeks of net selling have accompanied an 8% decline in the BCOM Index, with liquidation concentrated in natural gas, metals and grains.
- Energy and metals: The Henry Hub natural gas net short reached a 2½-year high, while silver's net long slumped to a 32-month low
- Grains and softs: The combined grains net long has fallen 42% in four weeks, while sugar bucks the broader selling trend, with speculative longs reaching a fresh five-year high.

Forex

In the latest reporting week to 20 October, a 0.4% decline in the Bloomberg Dollar Index (BBDXY) helped trigger modest broad-based net dollar selling, particularly against GBP, JPY and CAD. The exceptions were AUD and NZD, which continued to attract selling.

Overall, the speculative gross dollar long was reduced by 11% to USD 40 billion but remains historically elevated. Despite this heavy positioning, the dollar has struggled to rally, raising questions about the strength of the underlying bullish conviction. Crowded positioning increases the risk of a sharp reversal should the macroeconomic outlook shift, potentially triggering an accelerated unwind of long dollar positions.

Admittedly, the headline may be somewhat misleading, as the COT report captures only a fraction of the overall foreign exchange market, focusing on futures positioning rather than the much larger spot and OTC markets. Nevertheless, it remains a useful indicator of speculative sentiment and broader market behaviour towards the dollar, particularly when positioning becomes as one-sided as it is today.

Key markets to watch: Crude oil, Treasury yields and AI-related equities. Together, they may determine whether the dollar finds additional support from renewed inflation and risk aversion, or whether falling yields and an unwinding of crowded trades trigger a broader correction.

Commodities

The latest COT report on commodities, covering the week to 20 October, showed net selling extending into a sixth consecutive week, during which the Bloomberg Commodity Index (BCOM) has fallen by 8%. The continued reduction in speculative exposure highlights a broader shift in sentiment, with funds cutting positions across several key sectors amid increased market volatility and weakening technical signals. Once again, the bulk of the selling was concentrated in natural gas and metals, led by gold and,

not least, copper, as well as grains.

In energy, natural gas remained under heavy selling pressure, with the combined speculative net short across the two major Henry Hub deliverable futures contracts reaching 124,000 contracts, the largest bearish position in two and a half years. The buildup in short positions followed another sharp decline in prices, with the benchmark futures contract tumbling almost 10% during the reporting week. Further weakness in subsequent sessions drove prices towards USD 2.50 per MMBtu, reinforcing the bearish momentum that has encouraged additional selling but also left the contract increasingly exposed to the risk of a weather related reversal.

Across crude oil and refined products, speculative demand was muted during a week of mixed price performance, with crude rallying while fuel products eased. Despite ongoing geopolitical supply concerns, the lack of a stronger buying response suggests traders remain cautious about adding exposure at current price levels.

In metals, broad-based selling continued, led by gold and copper, while the silver net long slumped to just 3,746 contracts, a 32-month low, highlighting the metal's continued lack of directional independence from a weakening gold price. Despite silver's underlying industrial demand story, short-term price action remains heavily influenced by developments in gold, with speculative investors showing little appetite to defend long positions during the latest correction.

In grains, long liquidation continued with the combined speculative net long tumbling by 42% over the past four weeks after reaching an unsustainable record above one million contracts last month. The scale of the reduction highlights how quickly positioning can unwind once the fundamental and technical outlook turns less supportive.

In soft commodities, all four tracked contracts attracted net buying, led by coffee and sugar. The latter's speculative net long reached a fresh five-year high, standing in sharp contrast to the widespread liquidation seen elsewhere across the commodity complex.

Overall, the latest positioning data point to a market where speculative investors remain focused on reducing risk rather than rebuilding exposure. While the scale of recent liquidation may eventually create opportunities for a rebound, particularly in markets where positioning has become increasingly one-sided, a sustained recovery will likely require an improvement in price momentum and greater confidence in the underlying fundamental outlook.

What is the Commitments of Traders report?

The COT reports are issued by the U.S. Commodity Futures Trading Commission (CFTC) and the ICE Exchange Europe for Brent crude oil and gas oil. They are released every Friday after the U.S. close, covering positions held as of the previous Tuesday. The reports break down open interest in futures markets into different categories of market participants, depending on the asset class.

Commodities: Producer/Merchant/Processor/User, Swap Dealers, Managed Money, and Other Reportables
Financials: Dealer/Intermediary, Asset Manager/Institutional, Leveraged Funds, and Other Reportables
Forex: A broader breakdown between commercial and non-commercial participants, with the latter generally viewed as speculators

The main reasons we focus primarily on the behaviour of speculators, such as hedge funds and trend-following CTAs, are:

- They are more likely to have tight stops and no underlying physical exposure that needs to be hedged

- This makes them more reactive to changes in fundamental or technical price developments
- Their positioning provides insight into major trends, while extreme positions can also help identify when a reversal or correction may be looming

It is worth noting that this group tends to anticipate, accelerate and amplify price moves that have often already been set in motion by fundamentals. As followers of momentum, these traders typically buy into strength and sell into weakness. As a result, they are often found holding their largest long exposure near the peak of a cycle or their largest short exposure ahead of a trough in the market. For that reason, positioning extremes can be useful contrarian indicators, but rarely in isolation: timing still depends on a fundamental or technical catalyst that changes the prevailing trend.

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