

# **How to Make Money with Commodities**

**New book provides investors with a practical education in commodities**

The bull market in commodities is now more than a decade old and, in spite of fears of a slowdown in China and India, the big picture tells us that this bull still has a long way to ride.

More than seven billion people now populate the planet today and by 2025 there will be eight billion. The unstoppable population boom and the ever-increasing number of mouths to feed and bodies to house is just one reason for the continuing commodities bull market. If investors aren't following these essential goods, they should be.

We can barely switch on a business news channel or pick up a newspaper these days without being confronted with a fall or rise in the price of commodities, such as crude oil, gold, wheat, coffee and others.

Now a new book, *How to Make Money with Commodities*, written by Wall Street trading veteran Andy Hecht with respected U.K. business journalist and writer Mark S. Smith, provides investors with a practical education in these essential global goods. Guy Adami, one of the original Fast Money Five on CNBC, has written the foreword for the book.

The narrative behind the commodities bull market partly involves increasing global demand for foodstuffs, but also constrained supplies. At the same time, it involves increasing demand for precious metals, because currencies around the world are being devalued and geopolitical tensions are continuing to rise.

## **Investors Ignore this Phenomenon at their Own Peril**

More people means greater competition for staple goods. Yet there is only so much arable land on earth on which to grow crops, and there are only so many tons of metal, crude oil and natural gas in the crust of the earth.

Meanwhile, growing wealth in emerging markets, such as those in Asia means higher standards of living, which in turn results in greater demand for many commodities.

These are phenomena that investors ignore at their own peril.

The wise investor also understands that commodity prices have a direct impact on every portfolio and every nest-egg. The smart investor knows the first step is to become educated.

Back in the 1980s and 1990s, commodities took a backseat to equities and fixed income investments. However, since the turn of the millennium, they have become mainstream investment vehicles.

## **Commodities Have Never Been More Relevant**

Professional traders and money managers have taken a much more proactive stance with investments in commodities in recent years.

Influential hedge fund managers, such as John Paulson and George Soros, have made no secret of their investments in gold, and the spotlight on crude oil prices has never been brighter given the

changing dynamics in the Middle East. Legendary investor Jim Rogers is still riding the commodities bull.

For the savvy and knowledgeable investor, opportunities abound in commodity futures, commodity-based equities, as well as specialized funds, or ETFs, which track the movement of specific commodities.

Stocks and bonds have become hypersensitive to price movements in the commodity markets, particularly in the wake of the global financial crisis in 2008. And given the current levels of sovereign debt in the U.S. and Europe, commodities have never been more relevant.

Commodities are raw materials with which manufacturers must work. Commodity markets determine the prices of these key ingredients. For producers, the price of gasoline or diesel determines the cost of transporting their goods to markets. Together, it determines the cost of goods to the consumer.

It doesn't matter whether you hold shares in bread manufacturer Sarah Lee, car-makers Ford, Chrysler or GM or McDonald's. The price of commodities impacts company earnings, and ultimately the share price of almost every company in almost every investor's portfolio.

Commodity prices also impact fixed income instruments. Sudden volatility in precious metal or oil prices will send signals to the bond market. Higher commodity prices can signal impending inflation, which erodes the value of fixed income investments.

### **Traditional Investments are Increasingly Sensitive to Commodity Prices**

Modern investors need to understand why commodity prices move, what affects them and what the prices mean. At the very least it is important to understand that traditional investment vehicles will become increasingly sensitive to commodity prices.

How to Make Money with Commodities explains commodity price structure and the importance of the structure of a market when analyzing all potential investments. It also provides a comprehensive analysis of the sector, covering energy, precious metals, base metals, agricultural commodities and other commodities.

Finally, this guide to understanding and trading commodities will give the reader the opportunity to dip a toe directly in the commodity markets.

How to Make Money with Commodities, which is scheduled for publication by McGraw Hill in February 2013, will keep investors one step ahead of the pack. It is a comprehensive and easy-to-read book that also teaches investors how to save and make money in a myriad of exciting, multi-dimensional markets.

### **Biographies**

**Andrew Hecht:** Andy Hecht is a sought-after commodity trader, an options expert and analyst. Most recently Andy wrote several columns a week for The Sovereign Society. He spent nearly 35 years on Wall Street, including *two decades* on the trading desk of Phillip Brothers, which became Salomon Brothers and ultimately part of Citigroup.

Over the past two decades, he has researched, structured and executed some of the largest trades ever made, involving *huge quantities of precious metals* and bulk commodities.

Andy understands the market in a way many traders can't imagine. He's booked vessels, armored cars and trains to transport *and store a wide range of* commodities. And he's worked directly with The United Nations and the legendary trading group Phibro.

Today, Andy remains in close contact with sources around the world and his network of traders.

"I have a vast Rolodex of information in my head... so many bull and bear markets. When something happens, I don't have to think. I just react. History does tend to repeat itself over and over."

His friends and mentors include highly regarded energy and precious metals traders, supply line specialists and international shipping companies that give him vast insight into the market.

Andy's writing and analysis can be found on a number of market based websites including CQG. Andy also contributes to Traders Magazine. He consults for companies involved in producing and consuming commodities. Andy is a lecturer and recruiter for Mercy College's MBA program in New York. Andy's first book, *How to Make Money with Commodities*, published by McGraw Hill is set for release in late January 2013.

**Mark S. Smith** is a journalist and writer now based in south Florida, after having lived for many years in the U.K. and France. He is the former Deputy Business Editor of The Herald newspaper in the U.K and is the recipient of a prestigious Scottish Arts Council Award. Mark S. Smith was born in Los Angeles, California, was schooled in both the U.S. and the U.K., and has traveled extensively as a journalist and writer throughout Europe, the U.S., and parts of the Middle East, Asia and South America. He has written literally thousands of newspaper and magazine articles, and is also the author of the acclaimed historical/personal work, "Treblinka Survivor: The Life and Death of Hershl Sperling," and the novel, "Masel."