

Commodities Crackerjack

Biz Q&A | James Cordier, president, Liberty Trading Group

By James Thorner, Times Staff Writer

From his glass bowl office in the SunTrust tower overlooking Tampa Bay, James Cordier, 47, runs Liberty Trading Group. • Cordier is a former Chicago commodities trader, now professionally engaged in options selling. What's that? Simply put, Cordier manages the accounts of 300 high-net-worth investors who make intelligent bets on oil, gold, coffee and other commodities. • This isn't stereotypical haggling over hog bellies by paper-waving spazzes. Options selling involves locking in prices you think a commodity won't reach. For example, if gold is \$1,100 today, you can sell an option betting it won't reach \$2,000. • Another trader who's bullish on gold might take the bet and pay the option seller a premium to lock in the \$2,000 "strike price." If, as is likely, gold fails to reach \$2,000 over the next three or four months, the option expires. But the option seller gets to keep the premium. That's his profit. • Commodities have risen wildly the past two years — both crude oil and gold have set price records. So the Times recently talked with Cordier, who also co-authored *The Complete Guide to Option Selling*, to help find out how long the frenzy might last.



*Liberty Trading Group president James Cordier, shown at the company's downtown Tampa office, oversees trading for 300 clients in various commodities markets. He also is the co-author of *The Complete Guide to Option Selling*, now in its second edition.*

Why are commodity prices going crazy?

With zero percent interest rates, people are almost forced to do something with their money. Look at the rise in the S&P 500, oil, gold — it's all about low interest rates. In 2010 we could see gold trade at \$1,200 and \$1,300. But we also expect a jobless recovery or double-dip recession. We're looking at quarter after quarter of high unemployment. In the first half of 2010 — somewhere in there — the music has to stop playing. The 0's got to be taken away eventually.

So this wild ride is all going to end fairly soon?

Oil supplies in the U.S. are at a 30-year high. Heating oil is at a 20-year high. Natural gas supplies are at an all-time high. I'm a speculator. I recognize that this is not supply and demand. Supplies are at a 30-year high — come on now. My best guess is that we can sustain this a few more quarters.

What commodities have better long-term prospects based on real supply and demand?

The middle class in India and China are booming. When you move into the middle class, the first thing you do is eat better. The fundamentals for sugar and cocoa are phenomenal. They get their first taste of a Milky Way, and they're hooked. They will consume lots of this stuff. But it works the opposite way for coffee. The two countries

that I just mentioned — they don't drink coffee.

Let's talk options selling. After the Wall Street travails of the past couple of years, shouldn't investors be wary of hard-to-understand financial vehicles?

A lot of people are wary, and I can't blame them. The regulators and the heads of banks are so intertwined. They're all friends, they all golf together, they all help each other. Why did the public take 100 percent of the loss while the guys who pushed the buttons at Goldman Sachs, the guys who made a zillion dollars, failed to take a haircut? What we do is perfectly transparent. You are dealing with the value, for example, of silver or soybeans. It has nothing to do with trust or faith or whether someone is lying. If people eat more soybeans, the price goes up.

Do you practice what you preach?

Do you sell options in your spare time?

I don't. I invest for 300 clients. The best way to invest for my clients without emotions is not to have skin in the game. You get audited in this business. As soon as you say you trade, the audit that was supposed to last half a day now lasts a month. I do extremely well investing for 300 people.

Isn't options selling risky?

We're not trying to capture movements in the price of commodities. We're trading

at the outer fringe of the market. We don't have to be right about the exact price. We're taking a highly leveraged speculative business and taking a conservative stance. With all the attention on gold prices, our business is booming. Commodities were once considered for the Las Vegas crowd. Now regular investors are interested. We've got them. Our return this year has been 65 percent.

All the commodities action seems to be in places like New York and Chicago. How do you run such a business from a relative financial backwater like Tampa?

Information gathering is available from a PC. Going on the trading floor in Chicago, the only information you're going to get is profanity and spit in your face from all the guys shouting. There's no advantage to it. The information we use is available to almost anyone, even if you're on an island in the Bahamas.

Why did you write the book?

We've had a niche selling options. It's not considered sexy. It's not exciting. But McGraw-Hill, our publisher, said, "Don't you think it's time to write a book?" Our second edition came out this summer. It also came out in Chinese. We're selling well. But to put it in perspective, if Harry Potter sold what we've sold, it would be a complete disaster.

There is a risk of loss in all futures trading. Only risk capital should be used.

***The information in this article has been carefully compiled from sources believed to be reliable, but its accuracy is not guaranteed. Use it at your own risk. There is risk of loss in all trading. Past performance is not necessarily indicative of future results. Traders should read The Option Disclosure Statement before trading options and should understand the risks in option trading, including the fact that any time an option is sold, there is an unlimited risk of loss, and when an option is purchased, the entire premium is at risk. In addition, any time an option is purchased or sold, transaction costs including brokerage and exchange fees are at risk. No representation is made that any account is likely to achieve profits or losses similar to those shown, or in any amount. An account may experience different results depending on factors such as timing of trades and account size. Before trading, one should be aware that with the potential for profits, there is also potential for losses, which may be very large. All opinions expressed are current opinions and are subject to change without notice.