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Via Electronic Mail: secretary@cftc.gov

COMMENT

David A. Stawick
Secretary
Commodity Futures Trading Commission
Three Lafayette Centre
1155 21st Street, NW
Washington, DC 20581

Re: Proposed Revision of Federal Speculative Position Limits

Dear Mr. Stawick,

We truly appreciate the opportunity to comment on the proposed revision to Federal speculative position limits. Chesapeake Capital Corporation, as a long-time trader in the grain markets, has enjoyed seeing the growth in these markets over the years.

We commend the Commission's past approach to expanding limits which has allowed these markets to grow as illustrated by the higher open interest over the years. Therefore, we applaud the Commission's most recent proposal to increase the Federal speculative position limits for all single-month and all-months-combined positions in all commodities (except oats) enumerated in regulation 150.2,pursuant to parameters specified in Commission regulation 150.5(c). The amendments would also aggregate positions in all designated contract market products that share substantially identical terms with the contracts enumerated in regulation 150.2 for the purposes of ascertaining compliance with Federal speculative position limits. In addition, we agree that if the current structure for establishing the suitable size of the position limits under Rule 150.2 is maintained, the Commission should revisit the limits periodically and increase them based on increased open interest.

Some may believe that speculators cause market disruptions and volatility. We think that most would agree that speculators have a different approach than hedgers. An analysis conducted by NYMEX noted that hedge funds tend to hold positions longer than most, and when evaluated alone, that hedge funds actually help to lower price volatility. Some highlights from this study are noted immediately below:

- ✓ Hedge Funds hold positions significantly longer than other market participants, which supports the conclusion that Hedge Funds are a non-disruptive source of liquidity to the market.
- ✓ With regard to price volatility in natural gas futures, when Hedge Fund activity alone is evaluated, the data strongly indicate that changes in Hedge Fund participation result in decreases in price volatility.
- ✓ Even when Hedge Fund activity in natural gas futures is considered in connection with changes in inventory, the data indicate that changes in Hedge Fund participation appear to decrease price volatility.
- ✓ These statistical results are consistent with a positive role provided by Hedge Funds to futures markets.

The supporting research and various findings are further detailed on the NYMEX website (see link below).

http://www.nymex.com/media/hedgedoc.pdf

Thank you again for allowing us to comment on the above proposal.

Sincerely,

John M. Hoade
President

cc: R. Jerry Parker Jr., Chairman & CEO, Chesapeake Capital Corporation
Anil G. Ladde, Director of Trading, Chesapeake Capital Corporation