

Contents at a Glance

<i>Introduction</i>	1
<i>Part I: Commodities: Just the Facts</i>	9
Chapter 1: Investors, Start Your Engines! An Overview of Commodities	11
Chapter 2: Earn, Baby, Earn! Why You Should Invest in Commodities.....	25
Chapter 3: Is Investing in Commodities Only for the Brave?	41
Chapter 4: Get Ready to Rumble! Commodity Bulls vs. Bears	51
Chapter 5: Feel the Love: Welcoming Commodities into Your Portfolio	61
<i>Part II: Getting Started</i>	77
Chapter 6: Show Me the Money! Choosing the Right Manager	79
Chapter 7: Track and Trade: Investing through Commodity Indexes.....	97
Chapter 8: Understanding How Commodities Exchanges Work	115
Chapter 9: Back to the Future: Getting a Grip on Futures and Options	133
Chapter 10: Technically Speaking: Using Technical Analysis	151
<i>Part III: The Power House: How to Make Money in Energy</i>	167
Chapter 11: It's a Crude, Crude World! Investing in Crude Oil	169
Chapter 12: Welcome to Gas Vegas, Baby! Trading Natural Gas	189
Chapter 13: Fuel for Thought: Looking at Alternative Energy Sources	201
Chapter 14: Totally Energized: Investing in Energy Companies	217
<i>Part IV: Pedal to the Metal: Investing in Metals</i>	233
Chapter 15: Getting the Glitters: Investing in Gold, Silver, and Platinum.....	235
Chapter 16: Metals That Prove Their Mettle: Steel, Aluminum, and Copper	253
Chapter 17: Weighing Investments in Heavy and Not-So-Heavy Metals	265
Chapter 18: Mine Your Own Business: Unearthing the Top Mining Companies	273
<i>Part V: Going Down to the Farm: Trading Agricultural Products</i>	283
Chapter 19: Breakfast of Champions: Profiting from Coffee, Cocoa, Sugar, and Orange Juice	285
Chapter 20: How to Gain from Grains: Trading Corn, Wheat, and Soybeans	297
Chapter 21: Alive and Kicking! How to Make Money Trading Livestock.....	307

<i>Part VI: The Part of Tens</i>	315
Chapter 22: Top Ten Ways to Invest in Commodities	317
Chapter 23: Top Ten Market Indicators You Should Monitor	321
Chapter 24: Ten or So Resources You Can't Do Without	327
<i>Part VII: The Appendix</i>	331
Appendix: Glossary of Technical Terms	333
<i>Index</i>	343

Table of Contents

Introduction 1

About This Book.....	1
Conventions Used in This Book	3
Foolish Assumptions	3
How This Book Is Organized.....	4
Part I: Commodities: Just the Facts	4
Part II: Getting Started	5
Part III: The Power House: How to Make Money in Energy.....	5
Part IV: Pedal to the Metal: Investing in Metals.....	5
Part V: Going Down to the Farm: Trading Agricultural Products.....	5
Part VI: The Part of Tens	6
Part VII: The Appendix.....	6
Icons Used in This Book.....	6
Where to Go from Here.....	7

Part 1: Commodities: Just the Facts..... 9

Chapter 1: Investors, Start Your Engines!

An Overview of Commodities 11

First Things First	12
Going for a Spin: Choosing the Right Investment Vehicle.....	14
The futures markets	14
The equity markets	16
Managed funds.....	18
Physical attractiveness.....	18
Checking Out What's on the Menu.....	19
Energy	19
Metals.....	20
Agricultural products.....	21
Benefiting from Commodities Creatively	23

Chapter 2: Earn, Baby, Earn! Why You

Should Invest in Commodities 25

You Can't Argue with Success	26
The 21st Century Is the Century of Commodities	28
Ka-boom! Capitalizing on the global population explosion	29
Brick by brick: Profiting from urbanization	30
Full steam ahead! Benefiting from industrialization	32

It's All about Me! Why Commodities Are Unique	34
Inelasticity	34
Is it safe in here? Commodities as a safe haven	36
Hedge-hogging galore! Commodities as a hedge against inflation	36
Could you hurry up, please! Bringing new sources online takes time	38
Sell in May and go away? Definitely nay!	38
Time to Get Down to Business: Commodities and the Business Cycle...	39

Chapter 3: Is Investing in Commodities Only for the Brave? 41

Biting Off More Than You Can Chew: The Pitfalls of Using Leverage.....	42
Watch Your Step: Understanding the Real Risks behind Commodities....	43
Geopolitical risk.....	43
Speculative risk	44
Corporate governance risk	45
Managing Risk.....	45
Due diligence: Just do it	45
Diversify, diversify, diversify.....	49

Chapter 4: Get Ready to Rumble! Commodity Bulls vs. Bears 51

Seeing Both the Forest and the Trees.....	52
Ride the Wave? Kondratieff and the Super Cycle Theory.....	58
Keeping It Simple: Looking at the Laws of Supply and Demand	58

Chapter 5: Feel the Love: Welcoming Commodities into Your Portfolio 61

The Color of Money: Taking Control of Your Financial Life	62
Looking Ahead: Creating a Financial Road Map.....	63
Figuring out your net worth.....	64
Identifying your tax bracket.....	66
Are you hungry? Determining your risk appetite.....	68
Making Room in Your Portfolio for Commodities.....	69
Fully Exposed: The Top Ways to Get Exposure to Commodities	70
Looking towards the future with commodity futures	70
Funding your account with commodity funds	73
You're in good company: Investing in commodity companies.....	74

Part II: Getting Started..... 77

Chapter 6: Show Me the Money! Choosing the Right Manager 79

Mutually Beneficial: Investing in Commodity Mutual Funds	79
Riddle me this, riddle me that: Asking the right questions	80
Taking a look at what's out there	83

Examining Exchange Traded Funds84
 Mastering MLPs85
 The ABCs of MLPs86
 Cash flow is king89
 The nuts and bolts of MLP investing91
 Heads Up! Risk and MLPs92
 Relying on a Commodity Trading Advisor93
 Jumping into a Commodity Pool95

Chapter 7: Track and Trade: Investing through Commodity Indexes . . .97

Checking Out Commodity Indexes98
 What’s the use of an index?98
 So how do I make money using an index?99
 From Head to Toes: Anatomy of a Commodity Index99
 Cataloguing the Indexes101
 Goldman Sachs Commodity Index101
 Reuters/Jefferies Commodity Research Bureau Index104
 Dow Jones-AIG Commodity Index106
 Rogers International Commodities Index108
 Deutsche Bank Liquid Commodity Index111
 Which Index Should You Use?113

Chapter 8: Understanding How Commodities

Exchanges Work115

Why Do We Have Commodities Exchanges, Anyway?116
 Identifying the Major Commodity Exchanges117
 Ready, Set, Invest: Opening an Account and Placing Orders120
 Choosing the right account121
 Placing orders123
 Tracking your order from start to finish126
 Owning a Piece of an Exchange129

Chapter 9: Back to the Future: Getting

a Grip on Futures and Options133

The Future Looks Bright: How to Trade Futures Contracts134
 The competition: Who trades futures?136
 Contract specs: Keeping track of all the moving pieces138
 For a Few Dollars Less: Trading Futures on Margin142
 Taking a Pulse: Figuring Out Where the Futures Market Is Heading143
 Contango: It takes two to tango143
 Backwardation: One step forward, two steps back144
 Keeping Your Options Open: Trading with Options145
 Cutting to the chase: Options in action!146
 Trader talk147
 Options have character148

Chapter 10: Technically Speaking: Using Technical Analysis 151

Looking at Charts: A Picture Is Worth More Than a Thousand Words	152
Line it up: Checking out line charts	153
Going for bar charts	153
Lighting up the chart with candlesticks	155
Identifying Patterns: The Trend Is Your Friend	156
Identifying support and resistance	156
Trend lines: Ride the trend till the end	159
Pump Up the Volume!	160
Moving Averages: Anything But Average	162
Keeping it simple with the SMA	162
Taking it up a notch with the EMA	162
It's All Relative: Using the RSI	164
Breaking into Bollinger Bands	165

***Part III: The Power House: How to
Make Money in Energy 167*****Chapter 11: It's a Crude, Crude World! Investing in Crude Oil 169**

Crude Realities	170
No need for a reservation: Examining global reserve estimates	171
Staying busy and productive: Looking at production figures	173
It can be demanding: Checking out demand figures	174
Going in and out: Eyeing imports and exports	176
Going Up the Crude Chain	178
You want that light and sweet or heavy and sour?	179
Make Big Bucks with Big Oil	182
Oil companies: Lubricated and firing on all cylinders	182
Get your passport ready: Investing overseas	185

Chapter 12: Welcome to Gas Vegas, Baby! Trading Natural Gas . . . 189

What's the Use? Looking at Natural Gas Applications	190
Calling all captains of industry: Industrial uses of natural gas	192
If you can't stand the heat, get out of the kitchen! Natural gas in your home	193
Going commercial: Natural gas's commercial uses	194
Truly electrifying! Generating electricity with natural gas	195
Getting from here to there: Natural gas and transportation	196
Liquefied Natural Gas: Getting Liquid without Getting Wet	196
Investing in Natural Gas	197
Natural selection: Trading Nat Gas futures	199
Nat Gas companies: The natural choice	200

**Chapter 13: Fuel for Thought: Looking
at Alternative Energy Sources201**

Out with the Old and in with the New?	201
King Coal: Not as Scary as You Think	203
Coal hard facts	203
Paint it black	206
It's a coal investment	207
Investing in Nuclear Power: Going Nuclear without Going Ballistic	208
You've Been Zapped! Trading Electricity	210
Current affairs	210
Power plays	211
Always Brand Spanking New! Renewable Energy Sources	213
Sunny delight: Solar energy	214
Fast and furious: Wind energy	214

Chapter 14: Totally Energized: Investing in Energy Companies . . . 217

Bulls Eye! Profiting from Oil Exploration and Production	217
Going offshore	218
Staying on dry land	221
Servicing the oilfields	221
Oh My, You're So Refined! Investing in Refineries	223
How to Become an Oil Shipping Magnate	226
Swimming in oil: Transportation supply and demand	226
Ships ahoy!	228
Masters of the sea: Petroleum shipping companies	229
Swimming with sharks: Avoiding industry risk	231

Part IV: Pedal to the Metal: Investing in Metals233

**Chapter 15: Getting the Glitters: Investing
in Gold, Silver, and Platinum235**

Going for the Gold	235
The gold standard	236
Good as gold	240
Get the Tableware Ready: Investing in Silver	244
Checking out the big picture on the silver screen	244
A sliver of silver in your portfolio	246
Bling Bling: Investing in Platinum	248
Platinum facts and figures	249
Going platinum	249

Chapter 16: Metals That Prove Their Mettle: Steel, Aluminum, and Copper	253
Building a Portfolio That's As Strong As Steel.....	254
Steely facts	254
Investing in steel companies.....	255
Aluminum: Everything Is Illuminated	257
Just the aluminum facts.....	257
Aluminum futures.....	258
Aluminum companies	260
A Visit to Dr. Copper	260
Quick copper facts	260
Copper futures contracts	262
Copper companies	263
Chapter 17: Weighing Investments in Heavy and Not-So-Heavy Metals	265
Palladium: Metal for the New Millennium.....	265
Zinc and Grow Rich.....	269
You Won't Get Nickel and Dimed by Investing in Nickel	270
Chapter 18: Mine Your Own Business: Unearthing the Top Mining Companies	273
Diversified Mining Companies.....	274
BHP Billiton	274
Rio Tinto	275
Anglo-American	276
Specialized Mining Companies.....	278
Newmont Mining — Gold	278
Silver Wheaton — Silver	278
Phelps Dodge — Copper	279
Alcoa — Aluminum	280
Arcelor-Mittal — Steel.....	281
Part V: Going Down to the Farm: Trading Agricultural Products	283
Chapter 19: Breakfast of Champions: Profiting from Coffee, Cocoa, Sugar, and Orange Juice	285
Give Your Portfolio a Buzz by Investing in Coffee.....	285
Coffee: It's time for your big break.....	286
Brewing the right investment strategy	287
Warming Up to Cocoa	289
Invest in Sugar: It's Such a Sweet Move!.....	291
Orange Juice: Refreshingly Good for Your Bottom Line	293

**Chapter 20: How to Gain from Grains:
Trading Corn, Wheat, and Soybeans 297**

Field of Dreams: How to Invest in Corn.....298
 Welcome to the Bread Basket: Investing in Wheat300
 Trading Soybeans: It’s Not Just Peanuts302
 Soybeans303
 Soybean oil304
 Soybean meal305

**Chapter 21: Alive and Kicking! How to
Make Money Trading Livestock 307**

Holy Cow! How to Invest in Cattle.....308
 Live cattle309
 Feeder cattle310
 Lean and Mean: Checking Out Lean Hogs.....311
 You Want Bacon with That? How to Trade Frozen Pork Bellies.....312

***Part VI: The Part of Tens*315**

Chapter 22: Top Ten Ways to Invest in Commodities 317

Futures Commission Merchant317
 Commodity Trading Advisor318
 Commodity Pool Operator.....318
 Integrated Commodity Companies318
 Specialized Commodity Companies318
 Master Limited Partnerships.....319
 Exchange Traded Funds319
 Commodity Mutual Funds.....319
 Commodity Indexes320
 Emerging Market Funds.....320

Chapter 23: Top Ten Market Indicators You Should Monitor 321

Consumer Price Index321
 EIA Inventory Reports322
 Federal Funds Rate322
 Gross Domestic Product322
 London Gold Fix323
 Non-farm Payrolls.....323
 Purchasing Managers Index.....324
 Reuters/Jefferies CRB Index324
 US Dollar324
 WTI Crude Oil324

Chapter 24: Ten or So Resources You Can't Do Without	327
<i>The Wall Street Journal</i>	327
Bloomberg.....	328
Commodities-Investor.com	328
<i>Nightly Business Report</i>	328
Morningstar	329
Yahoo! Finance.....	329
Commodity Futures Trading Commission	329
The Energy Information Administration	329
<i>Stocks and Commodities Magazine</i>	330
<i>Oil & Gas Journal</i>	330
National Futures Association.....	330
<i>Part VII: The Appendix</i>.....	331
Appendix: Glossary of Technical Terms	333
<i>Index</i>.....	343