

# Goldsmith: 30 years in and loving it

BY DANIEL P. COLLINS

Malinda Goldsmith has been involved in commodity trading and managed futures for more than 30 years. She did not start as a trader, but as a lawyer, compliance officer and marketing person. She instantly took to the industry and still has an infectious enthusiasm when talking about markets and trading.

Early in her career she met Steve DeCook when they worked at the same future brokerage. DeCook was based in Iowa and Goldsmith Dallas, but when she saw Steve's track record she wanted to work with him. This was at the dawn of the managed futures industry and Goldsmith and DeCook launched a partnership in 1983 that lasts to this day.

"I would do all the compliance and he would do all the trading," Goldsmith says. The CTA they launched as a 50/50 partnership, Fundamental Futures Inc., was one of the early stars in the commodity trading advisor universe and built a strong 19-year track record, averaging better than 15% per year. It managed more than \$100 million when that was a huge number in the space.

Like the name implied, they traded grain markets on a fundamental basis. But in 2002 they decided to take a break from the markets. They might never have managed money again, except DeCook noticed the growth of long commodity investing in the early 2000s and saw an opportunity.

They launched their new CTA Four Seasons Commodities Corp. in 2004, which included two programs: Lone Star and Hawkeye spread (DeCook is still in Iowa and Goldsmith is now in Texas). DeCook directed the trading in Hawkeye that initially exploited opportunities in the Goldman Sachs Commodity Index roll, and Goldsmith directed the Lone Star program and headed up compliance and execution in both.

Goldsmith says there are no longer great opportunities exploiting the Goldman roll but that led them to discover spread opportunities in the agricultural markets. "We started looking at a lot of options spread strategies," Goldsmith says. "I have my program, he has his; they are pretty similar. We talk every day, I read things on his behalf and he does the same. He has his set of contacts, I have my set of contacts and because we listen to the same things, we generally have the same idea of what is going to happen in the markets."

Lone Star, which has produced a compound annual return of 13.25% since 2007 in its X3 program, trades a little shorter-term and uses less leverage than Hawkeye.

"We have been long soybean put spreads—long a nearby bean put and short two deferred bean puts to pay for it," Goldsmith says. "That trade sat around at breakeven for a really long time



MALINDA GOLDSMITH

and then some people who had been bearish beans because the fundamentals are, in my view, overwhelmingly bearish get blown out because the truck strike in Brazil."

That is the key. They anticipated the move as they heard of a potential strike through their contract on the trading floor where they still execute options and occasionally futures. They also were hedged through the spread so they didn't have to take as much heat before the market reversed.

Their success has depended on the strong contacts throughout the agribusiness industry, and they have consistently traded that way for 30-plus years. Their tip on the Brazilian strike moved the market.

"We have commercial brokers we talk to, we have floor traders we talk to, we talk to feed dealers, we talk to fertilizer salesman," Goldsmith says. "My whole day is spent gathering information."

The biggest change, according to Goldsmith, is the global growth of the industry. "One-third to half of our data is global," she says. "We have had to expand our contact network into South America and China. That is the biggest [change] that has affected our markets."

Not only are the fundamentals global, but the markets now trade 24 hours to cater to the global market. This also provides opportunities. Goldsmith says ag markets often get out of whack during overnight hours, which provides opportunities. "The things that happen at night when the [United States] is asleep is a good trade to fade. You see crazy things happen at night that you can take advantage of."

Goldsmith is still enthusiastic about trading and excited about the coming growing season. She is bearish on the ag markets in the short-term going into the March 31 planting intention report.

"We think the bean acres numbers is going to be bearish and we will see the market trade down into that number," she says. However she sees a longer-term bullish opportunity. We are setting up for a wonderful bullish move down the road. If the market gets slammed, that is going to be a buying opportunity because we are going to have too many [bears] and we probably are not going to have two years in a row of perfect growing weather."

When giving her outlook you can feel the enthusiasm Goldsmith has for markets and trading. "I love it," she says. "I can hardly wait to get to my desk. I sit at my desk from 6:30 a.m. at latest to at least 5 p.m. I have a quotes machine in my kitchen; it is the last thing I look at before I go to bed and the first thing I look at when I get up. I go to bed thinking about carryout, growing season and fertilizer."

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