

WEEKLY OPTIONS TRADING REPORT --- Tuesday, August 3, 2010

Questions or Comments? Please call 800-926-0926 ext. 254

Each recommended position ---

(A) Is identified by type of position

Speculative Directional – options position designed to take advantage of a trend or seasonal expectation.

Speculative Implied Volatility – options position designed to take advantage of high or low implied volatility.

Speculative Statistical Volatility – options position designed to take advantage of high or low statistical volatility.

Systematic – options positions that generally begin delta neutral and which evolve over time as adjustments are made in response to moves in the underlying commodity and to changes in implied volatility.

(B) Has a trading plan

The trading plan for **Speculative** Positions will state when to close positions. The exit will be triggered when the underlying commodity moves to a specified level, when the position earns or loses a predetermined amount, or when a specific date has been reached.

The trading plan for **Systematic** Positions, on the other hand, will specify adjustment points. Adjustments will be made to reduce exposure to market direction, to changes in implied volatility, or to negative time decay. An adjustment may close some options and add new options in their place, or an adjustment may leave existing positions in place and add new options to them.

(C) Shows current Greeks and projected performance curves

The current Greeks show how a position will respond to rallies and declines (delta and gamma), to expanding and contracting implied volatility (vega), and to the passage of time (theta). OptionVue's Graphic Analysis shows projected results over a range of underlying prices and over the passage of time.

(D) Shows a Volatility Chart with a Price Chart superimposed

The Volatility Chart shows how implied and statistical volatility have fluctuated in the past and it shows their percentile ranking over the past 6 years. The Price Chart shows how the underlying commodity has behaved in the past. It's a chart for a continuous contract.

In this issue

1. **US Bonds (US) – Oct / Dec Calendar Call spread – Speculative Directional – bullish**
2. **US Bonds (US) – Oct Credit Put spread – Speculative Directional -- bullish**
3. **Gold (GC) – Dec Debit Call spread -- Speculative Directional – bullish**

Weekly Option Implied Volatility Survey --- Data through last week's close.

FUTURES AND OPTIONS TRADING CAN INVOLVE SUBSTANTIAL FINANCIAL RISK

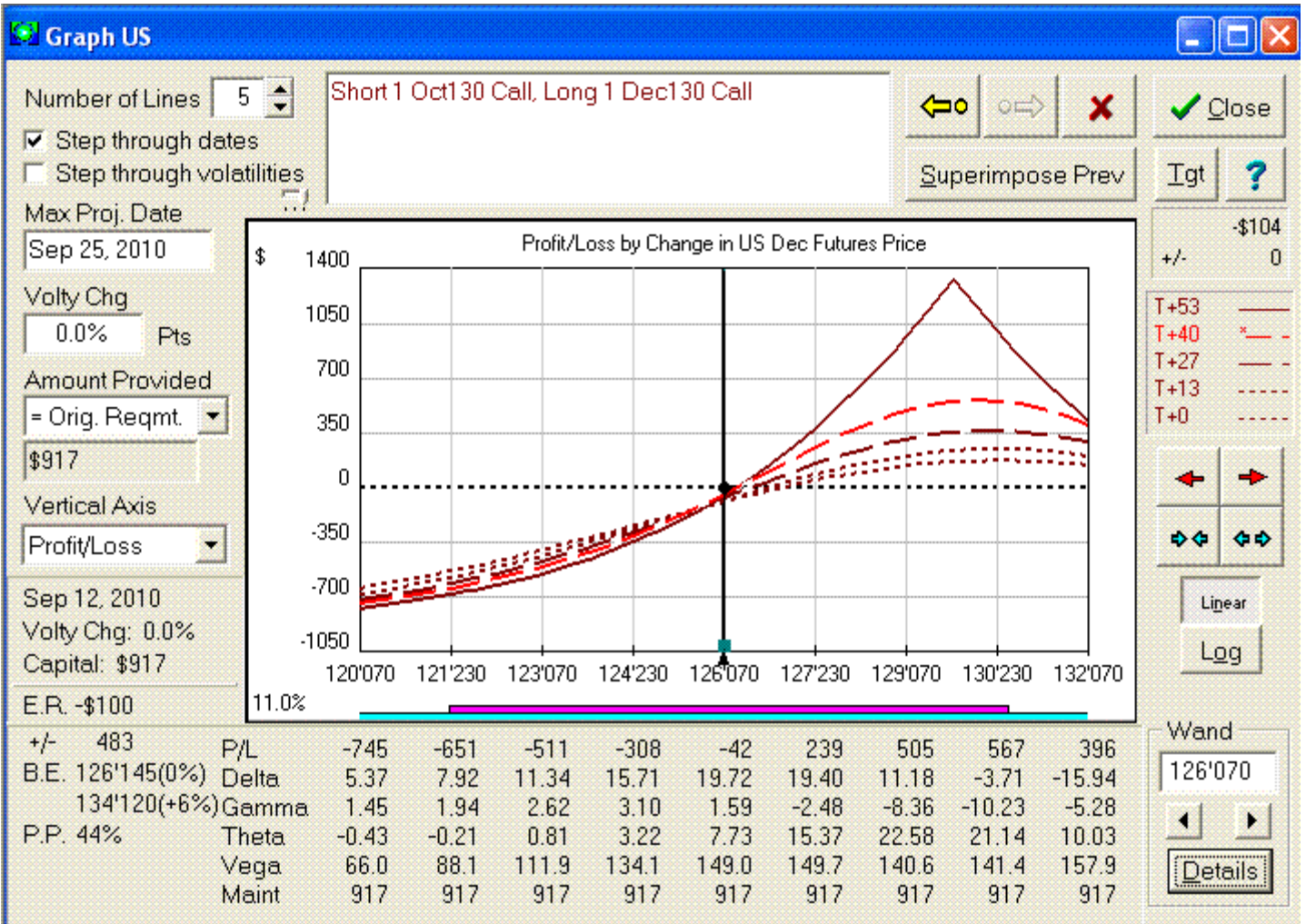
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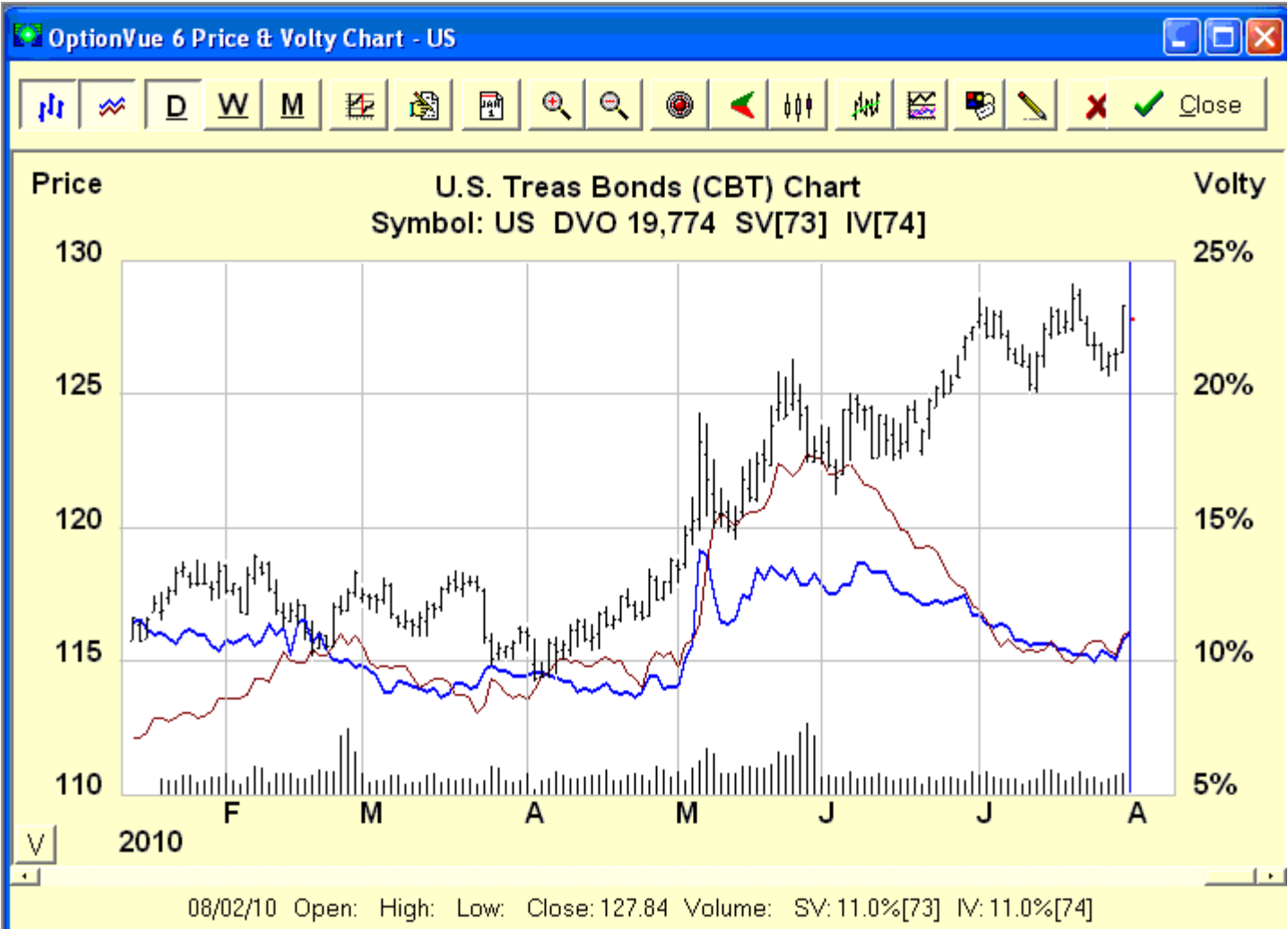
The weekly option implied volatility survey is on the last page

1. US Bonds (US) – Oct / Dec Calendar Call spread

Position / Closing Price @ 8/2	Entry Cost	Time	Comments/ Trading Plan
<p>Sell 1 Oct 130 call @ 0'53 Buy 1 Dec 130 call @ 1'40</p> <p>'01 tick = \$15.625 '64 ticks = 1'00 point = \$1,000</p> <p>Dec US @ 126'07 Note: Oct US options are tied to Dec US futures</p> <p>Greeks: Delta +10 Gamma (0.78) Theta +\$5 Vega +\$104</p> <p>Margin: \$ 917</p>	<p>Approx. 0'51 or less ticks debit</p> <p>\$ 796.87</p>	<p>Oct options expire on 9/24 in 52 days</p>	<p>Since mid July Dec US Bonds have been swinging between approx 124'00 and 127'25.</p> <p>Fed Chairman Bernanke has indicated he would reinstitute quantitative easing and purchase Bonds if the economy struggles. In addition, any weakness in equities will likely trigger higher Bond prices as well.</p> <p>This Oct / Dec 130 calendar call spread anticipates Dec US Bonds will break to the upside over the next 6 weeks.</p> <p>Trading Plan/Suggested Risk:</p> <p>Establish the spread for a debit of approximately 0'51 ticks with the objective of closing the spread when it widens to a debit of 1'20 points (0'33 ticks better).</p> <p>This objective could be potentially achievable in 40 days (by Sep 12) provided the Dec US futures contract rallies at least 2'09 points to 128'16 but doesn't rally beyond about 132'07 (7'00 points higher).</p> <p>If the Dec US contract declines 1'16 points to 124'23, then close the spread.</p> <p>In any event, close the spread no later than Sep 12 in 40 days.</p>

Entry Cost is the recommended option premium paid (debit) to enter a trade. If premium is collected (credit) it will be designated in brackets (). Cost is not necessarily the margin required to hold the trade. The margin includes \$60 / RT per option. Projected results are estimates. **ACTUAL PROFITS MAY BE LESS AND ACTUAL LOSSES MAY BE MORE. PAST RESULTS ARE NOT NECESSARILY INDICATIVE OF FUTURE RESULTS. TRADES ARE BASED ON THE PREVIOUS DAY'S SETTLEMENT PRICES. FUTURES MARKETS MOVE QUICKLY SO EVALUATE THE MARKET BEFORE ENTRY.**

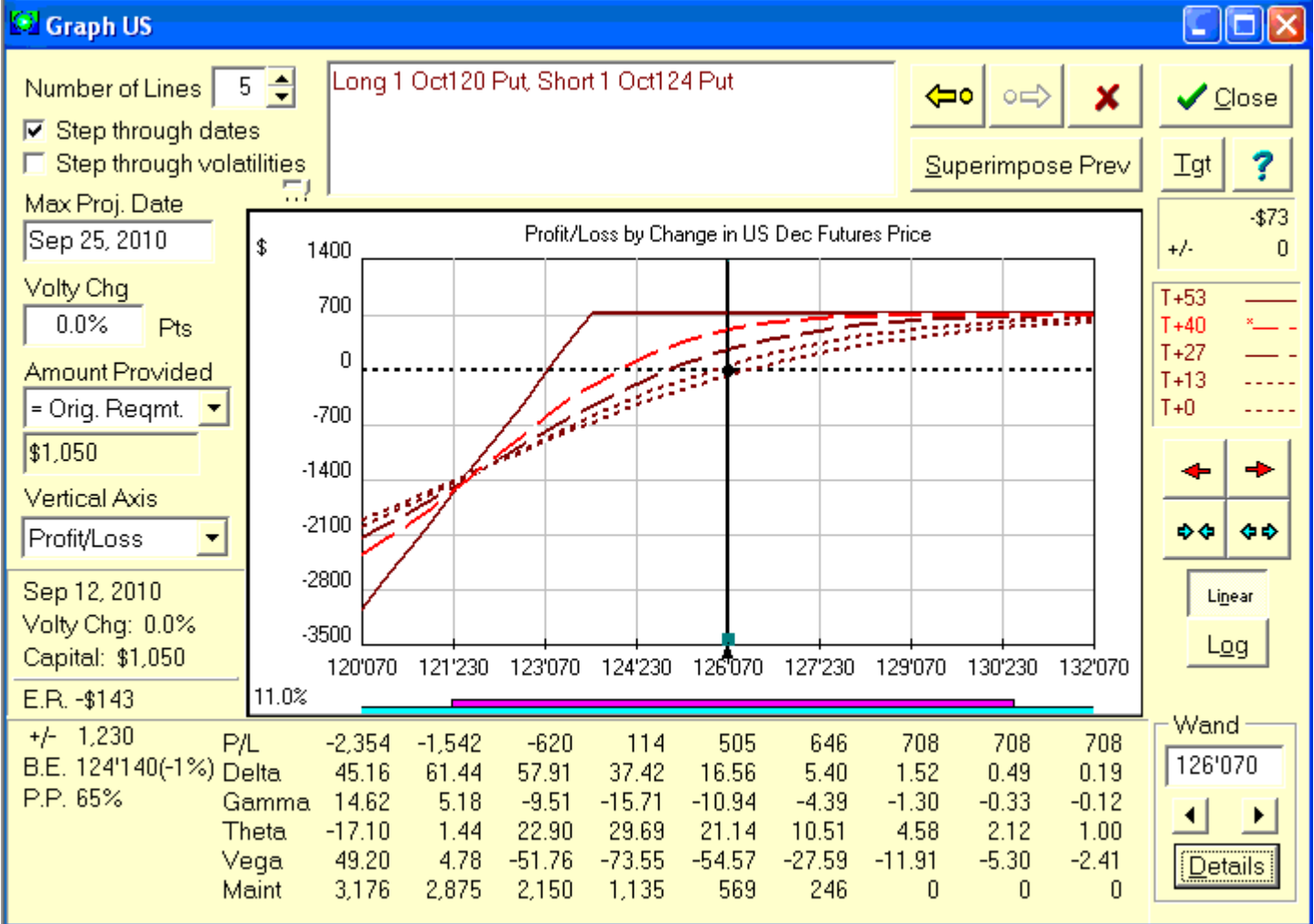




2. US Bonds (US) – Oct Credit Put spread

Position / Closing Price @ 8/2	Entry Cost	Time	Comments/ Trading Plan
<p>Sell 1 Oct 124 put @ 1'11 Buy 1 Oct 120 put @ 0'21</p> <p>'01 tick = \$15.625 '64 ticks = 1'00 point = \$1,000</p> <p>Dec US @ 126'07 Note: Oct US options are tied to Dec US futures</p> <p>Greeks: Delta +22 Gamma (4.3) Theta +\$8 Vega \$(82)</p> <p>Margin: \$ 1,050</p>	<p>Approx 0'54 or more ticks credit</p> <p>\$ (843.75)</p>	<p>Oct options expire on 9/24 in 52 days</p>	<p>Like Position # 1, this credit put spread benefits more quickly with a modest rally in Bonds; however, it's more vulnerable if there's a sharp decline.</p> <p>Unlike Position # 1, this spread earns positive time decay and benefits from a decrease in implied volatility.</p> <p>Trading Plan/Suggested Risk:</p> <p>Establish the spread for a credit of approximately 0'54 ticks with the objective of closing the spread when it narrows to a credit of 0'05 ticks (0'49 ticks better).</p> <p>This objective could be potentially achievable in 40 days (by Sep 12) provided the Dec US futures contract rallies above about 127'23 (1'16 pts higher).</p> <p>If the Dec US contract declines 1'16 pts to 124'23, then close the spread.</p> <p>In any event, close the spread no later than Sep 12 in 40 days.</p>

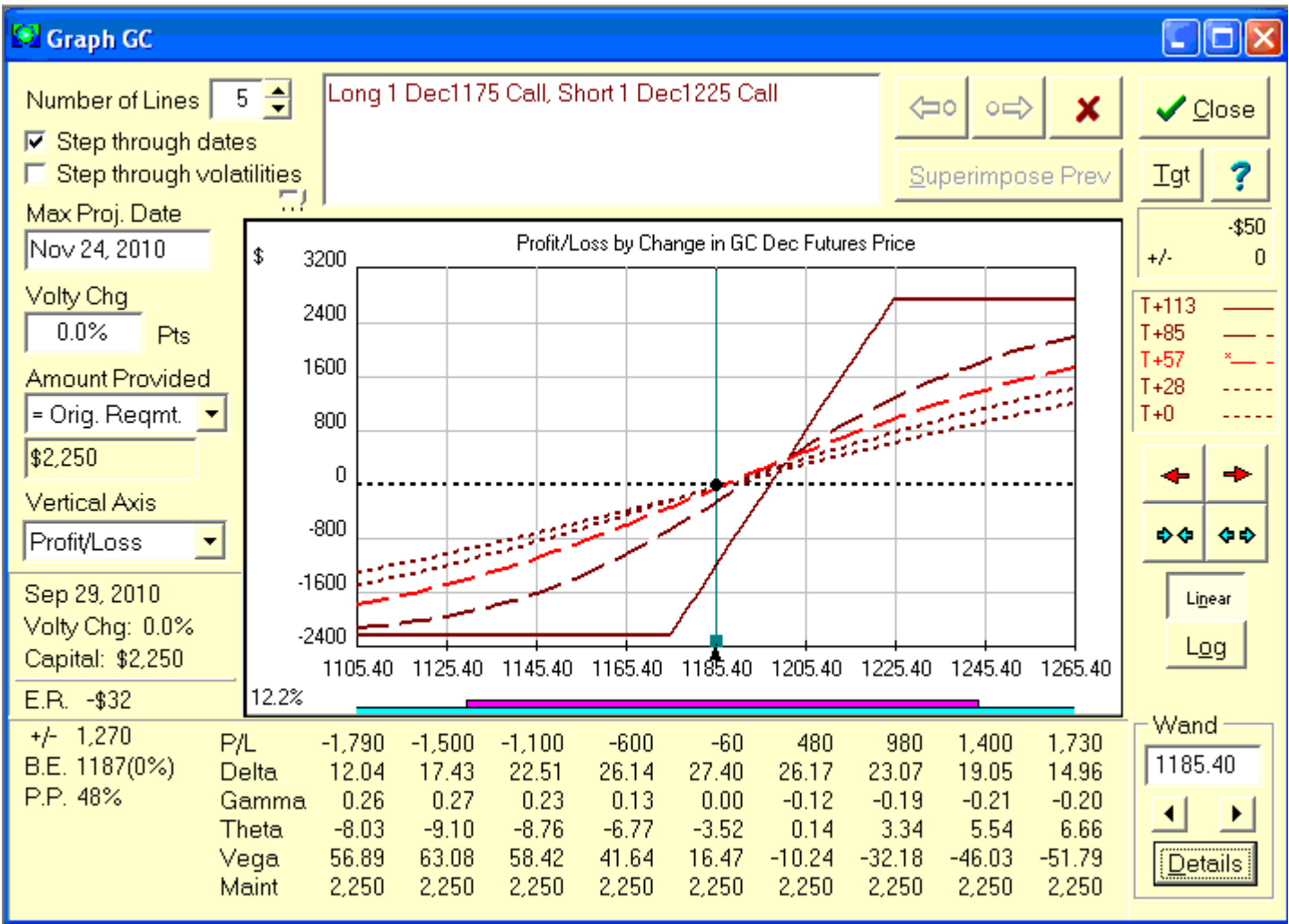
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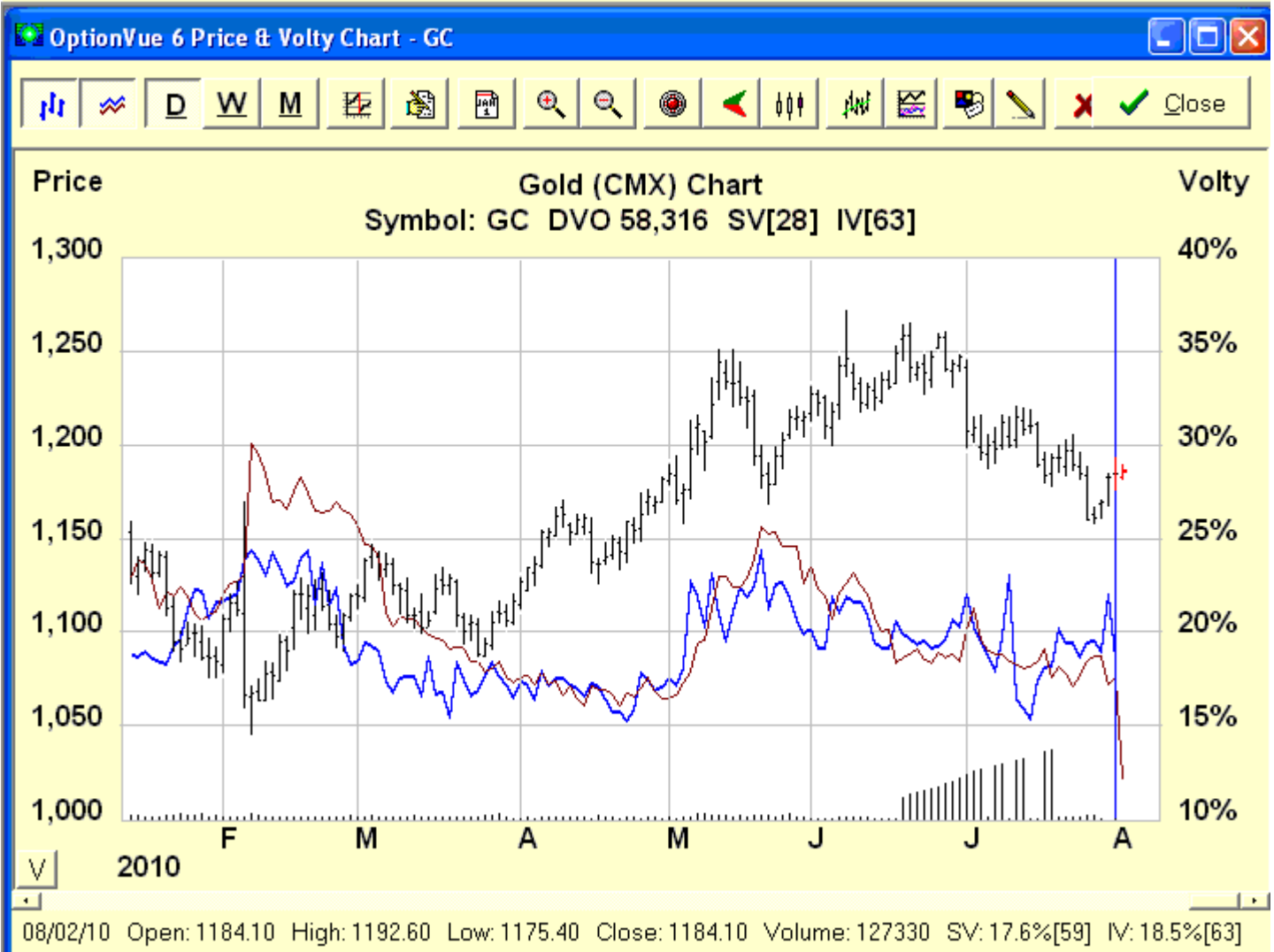


3. Gold (GC) – Dec Debit Call spread

Position / Closing Price @ 8/2	Entry Cost	Time	Comments/ Trading Plan
<p>Buy 1 Dec 1175 call @ 5590 Sell 1 Dec 1225 call @ 3460</p> <p>1 pt =\$1</p> <p>Dec GC @ 1185.40</p> <p>Greeks: Delta +17 Gamma +0.01 Theta \$(0.23) Vega +\$5</p> <p>Margin: \$ 2,250</p>	<p>Approx 2130 or less points debit</p> <p>\$ 2,130</p>	<p>Dec options expire on 11/23 in 112 days</p>	<p>Since making a high at 1270.60 on June 21, Dec Gold declined 111.30 pts to hit a low at 1159.30 on July 28.</p> <p>It's subsequently rallied about 26.00 to settle at 1185.40 yesterday.</p> <p>This Dec 1175 / 1225 call spread is structured to benefit if Dec Gold rallies another 40.00 pts to about 1225.40 over the next 2 months.</p> <p>Trading Plan/Suggested Risk:</p> <p>Establish the spread for a debit of approximately 2130 points with the objective of closing the spread when it widens to a debit of 3230 points (1100 points better).</p> <p>This objective could be potentially achievable in 57 days (by Sep 29) provided the Dec GC futures contract rallies to at least about 1225.40 (40.00 pts higher).</p> <p>If the Dec GC contract declines 20.00 pts to 1165.40, then close the spread.</p> <p>In any event, close the spread no later than Sep 29 in 57 days.</p>

Entry Cost is the recommended option premium paid (debit) to enter a trade. If premium is collected (credit) it will be designated in brackets (). Cost is not necessarily the margin required to hold the trade. The margin includes \$60 / RT per option. Projected results are estimates. **ACTUAL PROFITS MAY BE LESS AND ACTUAL LOSSES MAY BE MORE. PAST RESULTS ARE NOT NECESSARILY INDICATIVE OF FUTURE RESULTS. TRADES ARE BASED ON THE PREVIOUS DAY'S SETTLEMENT PRICES. FUTURES MARKETS MOVE QUICKLY SO EVALUATE THE MARKET BEFORE ENTRY.**





WEEKLY OPTION IMPLIED VOLATILITY SURVEY ----- DATA through July 30, 2010

UNDERLYING MARKET	Symbol	Jul 30	Jul 23	Jun 25	May 28	Apr 30	Mar 26	(UP TO) 6YR I.V. RANGE	1.5-YEAR I.V. RANGE	6-YEAR % RANK	1.5 yr % RANK
Stocks, Int Rates											
S&P 500	SP	21.3	23.2	22.9	29.4	17.0	15.0	8.5 - 69.3	8.8 - 69.3	68	38
DOW JONES	DJ	15.7	15.7	15.7	15.7	15.7	15.7	8.3 - 66.5	8.3 - 66.5	59	1
EURODOLLAR	ED	87.9	80.9	78.9	104.6	93.2	80.0	7.7 - 168.7	7.7 - 168.7	87	50
TEN-YEAR Notes	TY	5.8	6.0	7.0	7.7	6.0	6.2	3.5 - 9.4	3.5 - 9.4	48	4
US 30-YR Bonds	US	10.2	10.3	12.0	13.0	9.1	9.4	5.2 - 21.7	5.2 - 21.7	64	13
CURRENCIES											
AUSTRALIAN \$	AD	13.5	15.1	14.8	19.7	10.8	10.8	6.2 - 46.7	6.2 - 46.7	67	19
BRITISH POUND	BP	10.2	11.0	12.1	15.3	12.8	12.5	4.9 - 29.5	4.9 - 29.5	67	1
CANADIAN \$	CD	10.9	12.4	12.3	16.0	10.6	9.6	5.8 - 26.9	5.8 - 26.9	61	13
EURO Currency	EC	10.8	12.7	13.1	16.4	11.7	10.5	4.7 - 28.7	4.7 - 28.7	72	27
JAPANESE YEN	JY	10.7	11.3	11.3	13.9	10.3	10.8	6.3 - 34.4	6.3 - 34.4	56	5
SWISS FRANC	SF	10.1	11.2	10.6	12.6	10.5	10.3	5.6 - 24.3	5.6 - 24.3	44	6
GRAINS											
CORN	C	29.4	29.2	29.5	31.0	30.7	30.6	15.6 - 50.2	25.3 - 50.2	42	9
WHEAT	W	35.0	34.7	31.2	28.6	31.5	31.9	20.1 - 61.1	27.2 - 61.1	61	46
SOYBEANS	S	22.2	24.2	22.0	22.3	22.4	22.8	16.4 - 50.0	20.0 - 50.0	15	9
SOYBEAN MEAL	SM	24.0	25.0	26.8	26.2	25.1	24.2	17.0 - 46.3	22.6 - 46.3	22	8
SOYBEAN OIL	BO	21.3	21.3	21.0	21.4	20.1	20.3	16.9 - 47.8	17.3 - 47.8	13	17
OATS	O	27.8	27.8	27.8	27.8	27.8	27.7	17.3 - 48.8	17.3 - 48.8	26	14
ROUGH RICE	RR/NR	22.0	22.0	22.0	22.0	22.0	22.0	12.7 - 47.0	12.7 - 47.0	33	6
FOODS, FIBER											
COFFEE	KC	34.7	31.7	39.5	28.6	28.3	25.4	23.2 - 62.5	23.2 - 62.5	52	63
COCOA	CO/CC	31.0	30.2	30.1	30.8	32.0	33.5	20.6 - 53.5	20.6 - 53.5	49	9
SUGAR	SB	41.7	39.3	38.3	44.2	39.7	48.5	18.6 - 52.0	18.6 - 52.0	82	47
ORANGE JUICE	OJ/JO	37.2	36.7	34.8	27.7	27.4	27.8	17.7 - 55.8	18.7 - 55.8	71	49
COTTON	CT	24.7	24.6	23.6	24.0	25.4	26.3	16.4 - 47.2	16.4 - 47.2	33	13
LUMBER	LB	43.4	37.3	46.7	29.9	29.9	29.9	18.6 - 53.5	21.2 - 53.5	96	79
METALS											
COPPER	HG	30.3	36.2	40.2	39.6	28.8	37.7	17.1 - 349	25.1 - 349	34	8
GOLD	GC	19.7	19.0	19.3	21.3	16.8	17.3	10.8 - 48.7	16.1 - 48.7	50	29
SILVER	SI	27.7	27.5	29.5	33.4	25.7	26.3	16.9 - 75.2	19.0 - 75.2	24	12
ENERGY											
CRUDE OIL	CL	30.6	32.2	33.0	39.0	28.0	29.0	24.8 - 99.9	24.8 - 99.9	31	12
GASOLINE	RB	34.3	32.0	23.4	38.1	28.8	n/a	23.4 - 69.9	23.4 - 62.6	28	27
HEATING OIL	HO	31.6	29.7	27.9	37.2	28.3	29.5	25.9 - 73.6	25.9 - 73.6	30	19
NATURAL GAS	NG	49.2	48.1	50.5	43.3	45.6	41.2	30.0 - 98.1	33.6 - 91.4	37	29
MEATS											
LIVE CATTLE	LC	13.7	13.3	15.2	17.5	15.8	15.9	11.6 - 37.9	11.6 - 37.9	17	13
FEEDER CATTLE	FC	12.2	12.0	13.4	15.5	14.9	12.7	9.0 - 35.0	11.9 - 35.0	21	4
LEAN HOGS	LH	20.2	20.4	21.9	22.1	21.6	20.9	17.5 - 48.5	17.5 - 48.5	12	3

Data is from **OptionVue**, using weekly option I.V. averages. **To contact OptionVue, call (800-733-6610).**

OPTION MARKET COMMENTS - Evaluated using computer and subjective analysis. In general, when volatility is low, option purchases are attractive; when high, option-selling strategies are appropriate.

Implied option volatility, statistical market volatility, and liquidity are important considerations.

LOW option implied volatility	HIGH option implied volatility	VOLATILITY NOTES
Consider for option buying strategies (option purchases, ratio backspreads long straddles or long strangles, and calendar spreads)	Consider for option selling strategies (option sales, ratio spreads, and reverse calendar spreads)	(Comments and observations).
DJ, TY, BP, JY, SF, C, S, SM, RR, CO, HG, FC and LH	None	