Research in Commodity Futures and Options Markets

This list is partly based on the reading list of the Research on Futures and Options Seminar (ACE 528) offered by University of Illinois at Urbana-Champaign.

Surveys


Overview


Development of Futures Markets


Market Microstructure and the Costs of Trade Execution


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Price Discovery


Storage and Intertemporal Pricing


Hedging: Alternative Views


**Returns to Speculation and Risk Premiums**

- Financial market analysis (risk factor models etc.) for commodity markets

**Forecast Accuracy and Informational Efficiency**


**Price Effects of Futures Trading**


**Delivery and Manipulation**


**Options Markets, Volatility and Volatility Forecasting**


**Other Topics:**

**Distribution and Volatility of Futures Prices, and Implications**

**High Frequency & Algorithmic Trading**

**Market Spillover**


**Portfolio allocation/optimization including commodities**

**Financialization of commodity markets**

Corporate finance and risk management related to commodity markets

Econometric/statistical analysis of commodity markets

Decision models (OR/MS models) applied to the commodity sector

Real option analysis investigating commodity project investment and production decisions

Managerial accounting & economics for commodity related corporations

Micro & macroeconomic analysis of commodity markets

Global and regional trade of commodities

The role of commodity production and consumption for developing countries

A. Suggested Guide for “Reading” Journal Articles, by Vithala Rao, Cornell

Allow enough time to read the article at least twice. In the first reading, which may be quite superficial, try to get a general idea of the subject matter examined, uniqueness of the approach, and significant results. In the second reading, try to be critical of the concepts, assumptions, models, and application. If necessary, look over the article for a third time to seek a sharper understanding of the article and to evaluate where else the results and models can be applied.

While reading the article try and answer the questions indicated below for yourself. Doing so should significantly enhance your understanding of the research reported and your ability to critique the work. Note that some published articles may not fit this format.

A) What aspect(s) of the business system is (are) being studied by the author? (E.g., relationship between a firm and competitor, consumer choices over time.)

B) What are some significant research issues addressed in the paper? Reflect upon why they are significant.

C) What specific managerial decisions can be addressed by the results reported in the paper? Are these decisions made better when the recommendations from this research are adopted?

D) 1. What is (are) the microunit(s) whose “behavior” is (are) being addressed in the paper?
   2. State the basic model of the behavior of the microunit in words or as a flow chart. State the premises and assumptions of the model. Identify major constructs.
   3. State the basic model of the behavior of the microunit in a mathematical form and identify the variables (predictor or criterion) and the parameters (unknown) of the model.

E) Does the paper deal with aggregation of the model across various microunits or segments? If so, how is this aggregation accomplished? If aggregation is not considered, what are the effects of the assumption of homogeneity?

F) How are the variables of the model measured? Are these measures appropriate? What are the sources of data? How reliable are these measures? What are some alternative ways of measuring the variables?

G) How are the parameters of the model estimated? Are the properties of the estimates discussed? (For example, are they unbiased and/or consistent?)
H) Is the empirical application discussed in the papers appropriate? Are the results validated? (This aspect may not be relevant for some articles.)

I) Are the results interpreted well? Are there any alternative explanations of the results?

J) Identify one or two other applications of the basic model?

K) What general conclusions can be drawn? In what ways does this article contribute to (or extend) our understanding of our field of study in the substantive area(s) examined by the article?