



The impact of financialization on commodity prices

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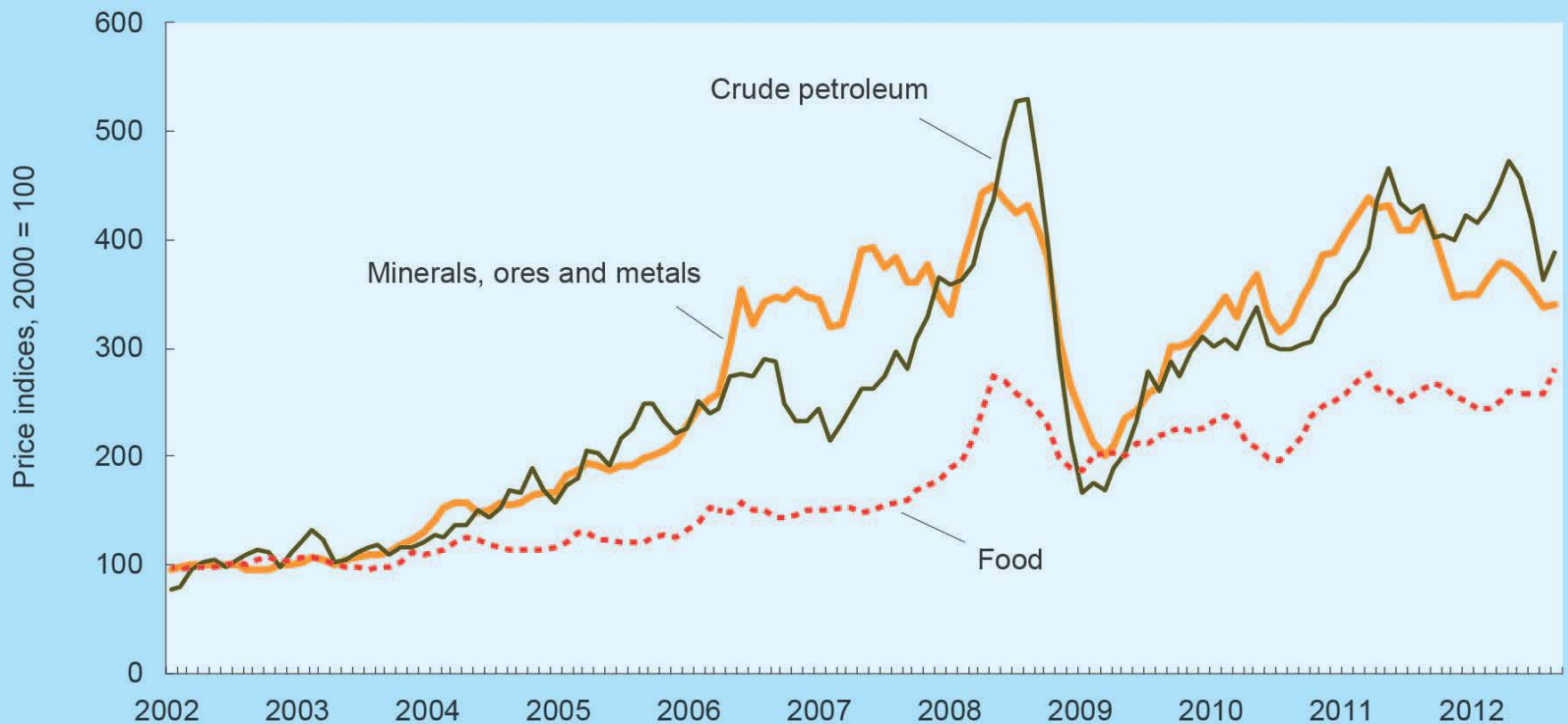
St. Gallen, 22. 4. 2013





Commodity prices have recovered amidst high volatility and a global slowdown

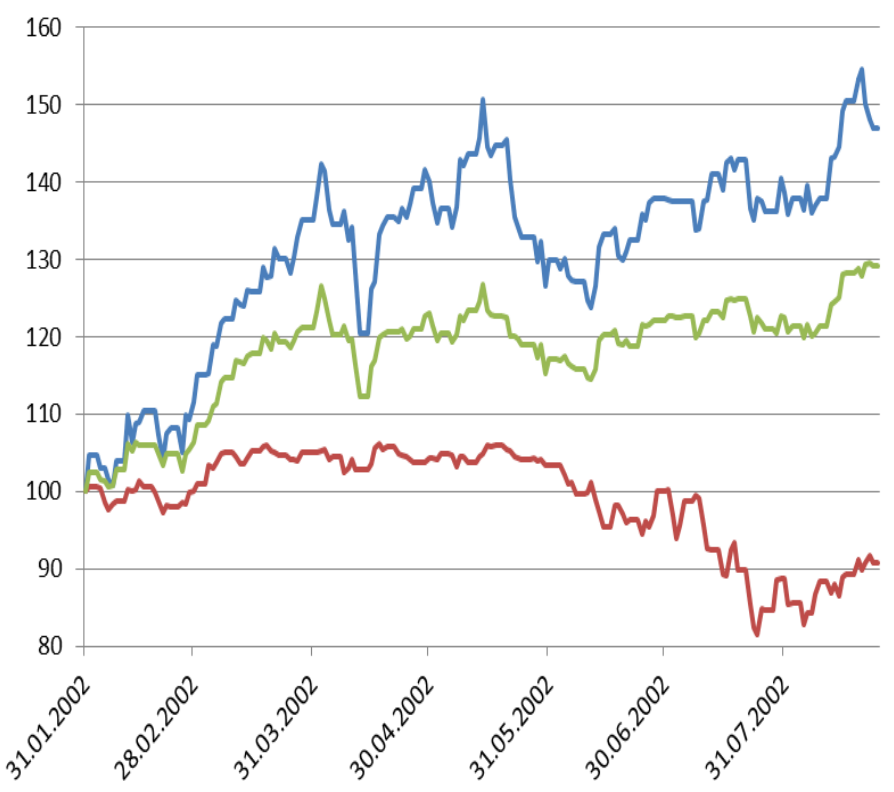
Commodity prices, selected categories, January 2002 – July 2012
(Index numbers, 2000 = 100)



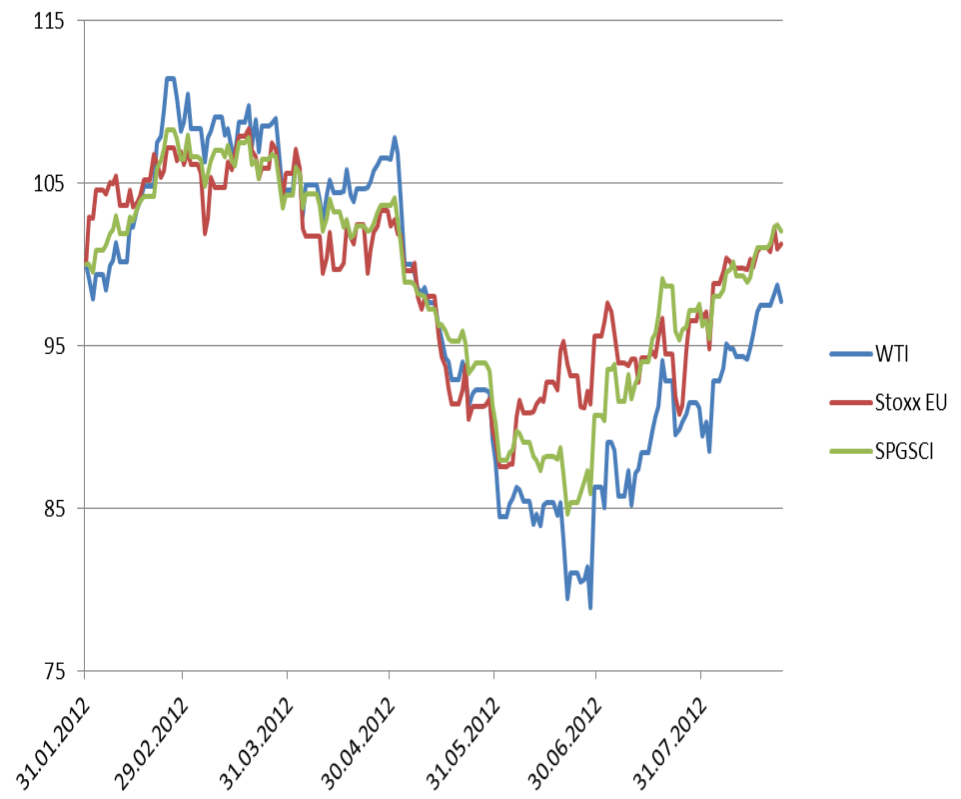


By comparing the evolution of stocks and commodity prices, the financialization of commodity markets reveals a dramatic change

10 Years Ago...



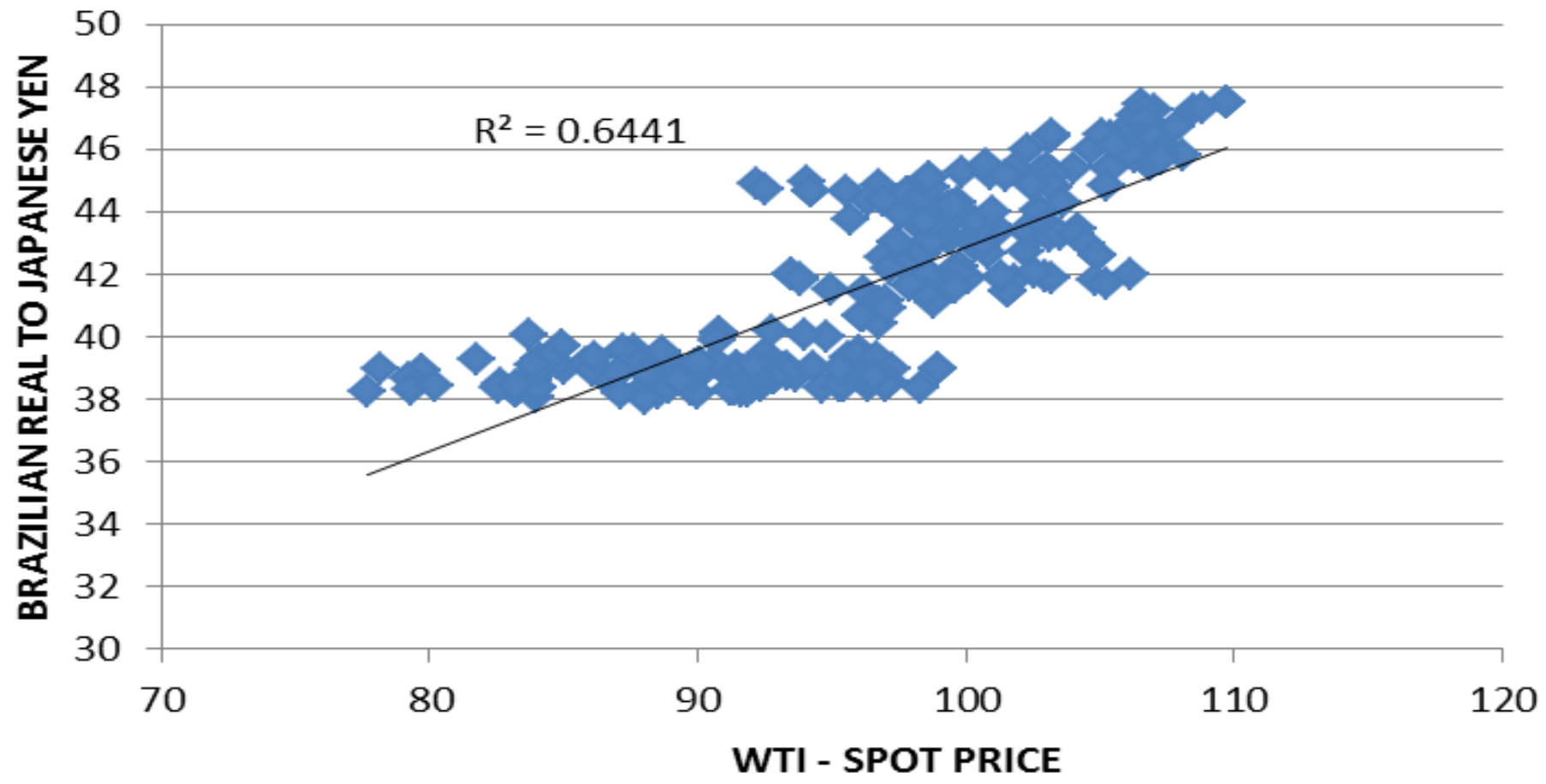
... and now!





Daily movements in oil prices and Brazilian Real/Japanese Yen exchange rate are highly correlated

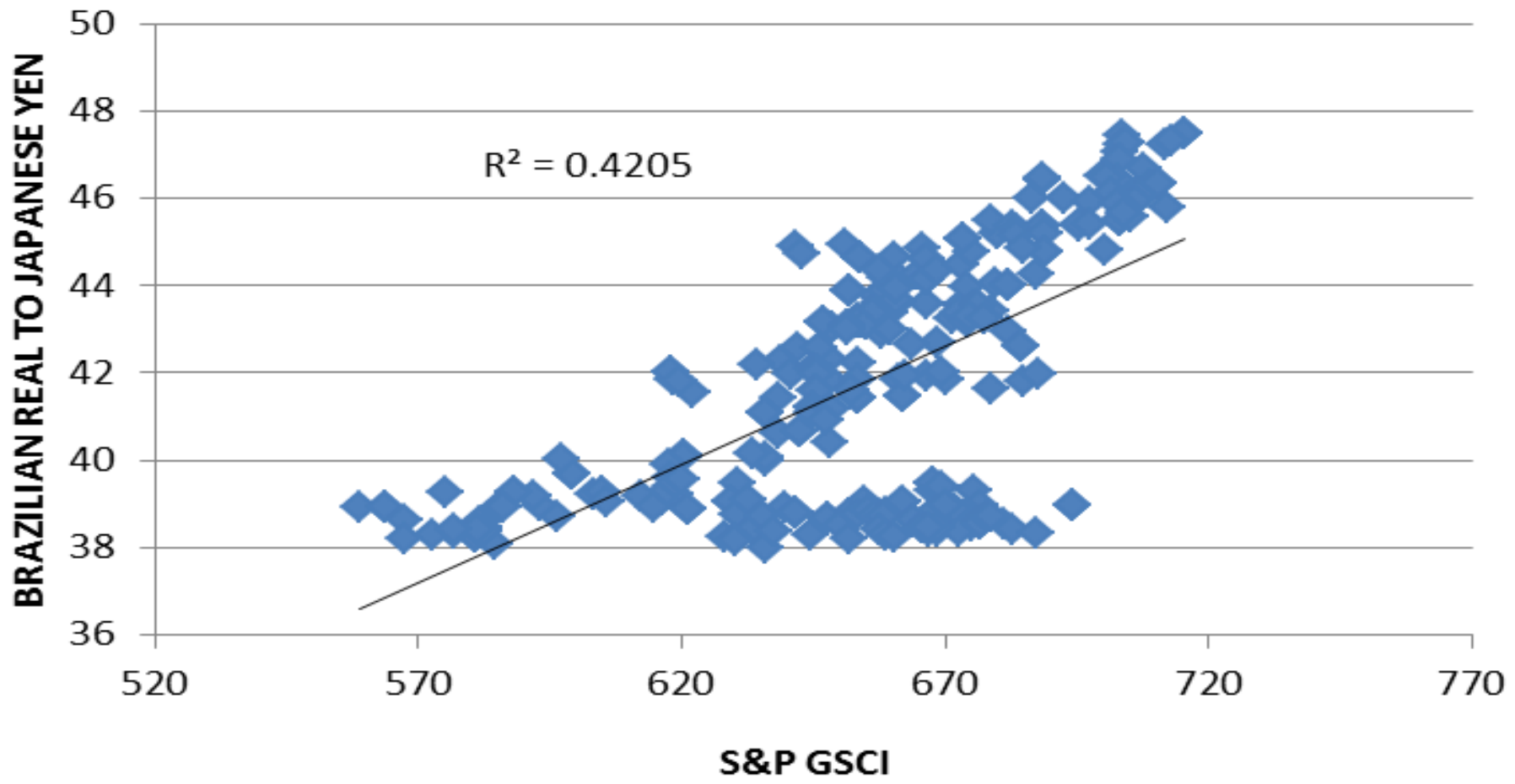
November 2011 – November 2012





Daily movements in S&P GSCI and Brazilian Real/Japanese Yen exchange rate show only one major deviation

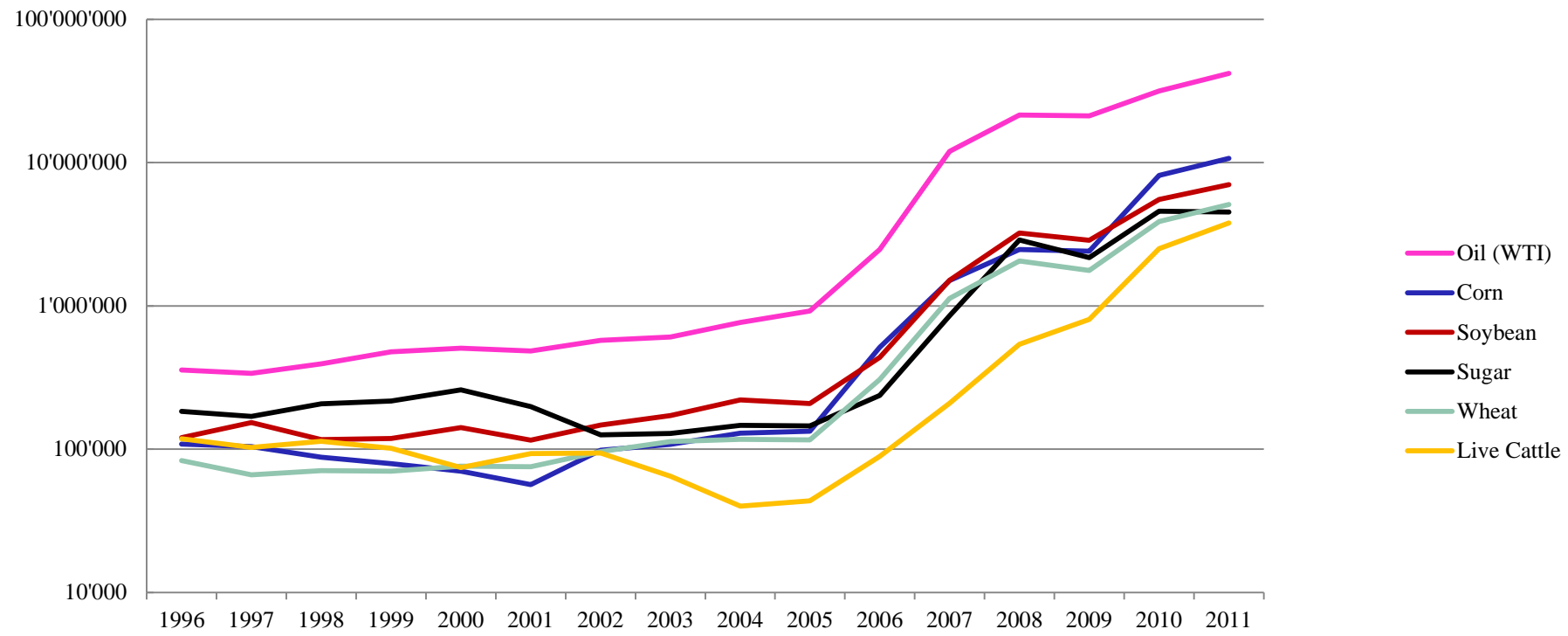
November 2011- November 2012





The number of annual trades by commodity has increased in tandem with increased correlation among markets

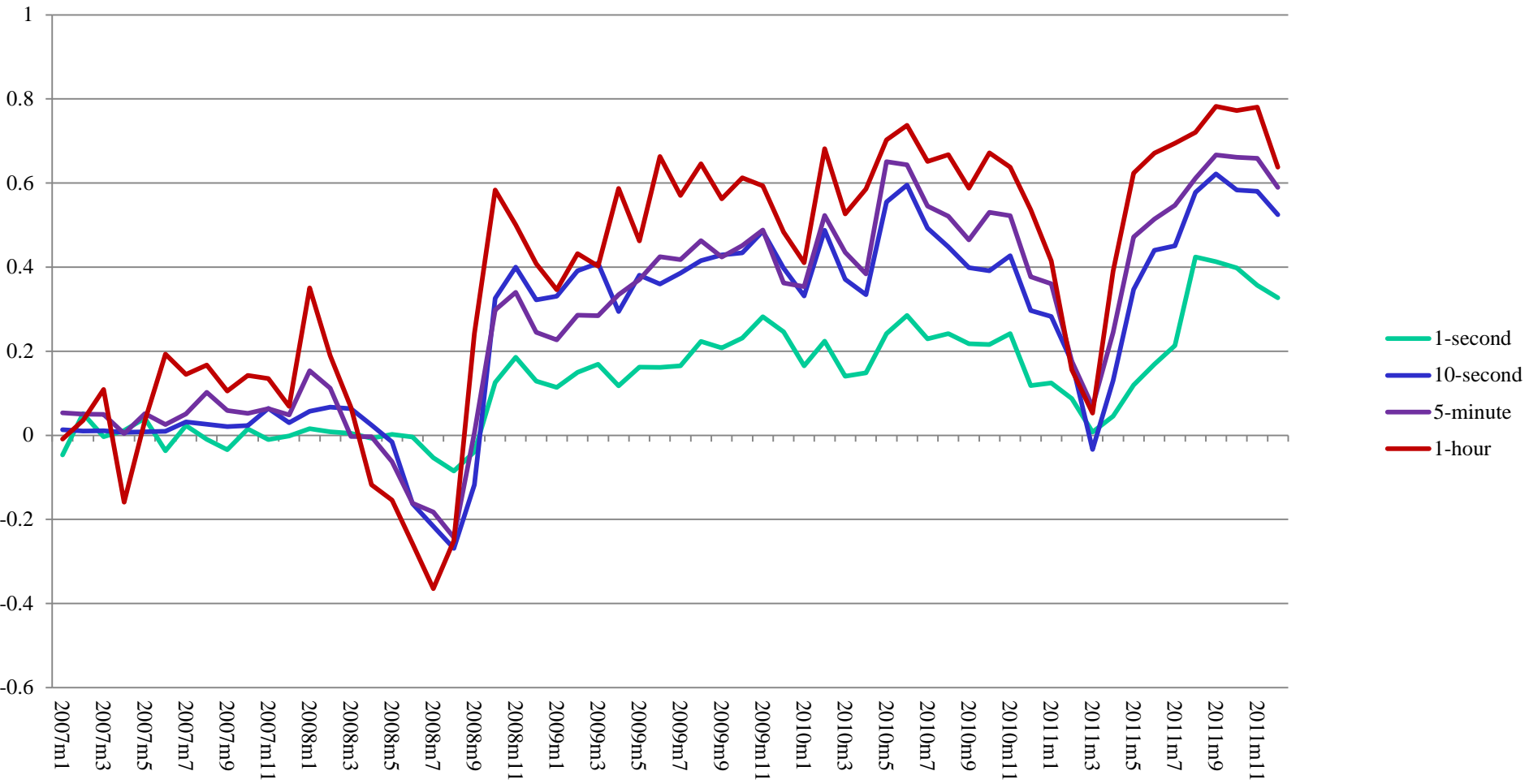
1996 -2011



Note: The y-axis is a logarithmic scale of base 10.

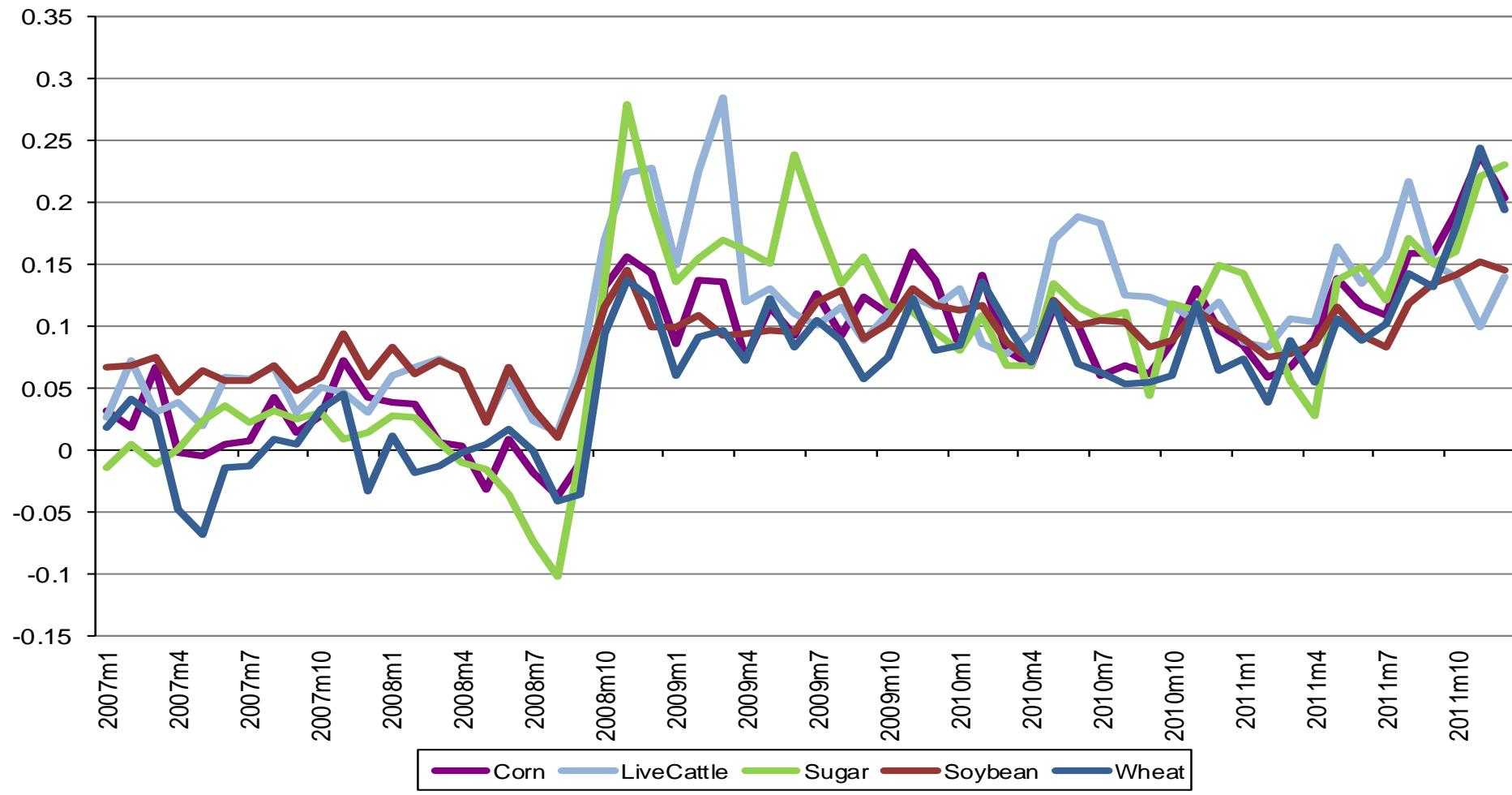


Monthly median of short-term rolling correlations between the returns on the WTI and the S&P 500 Futures, by frequency shows higher correlation despite one deviation



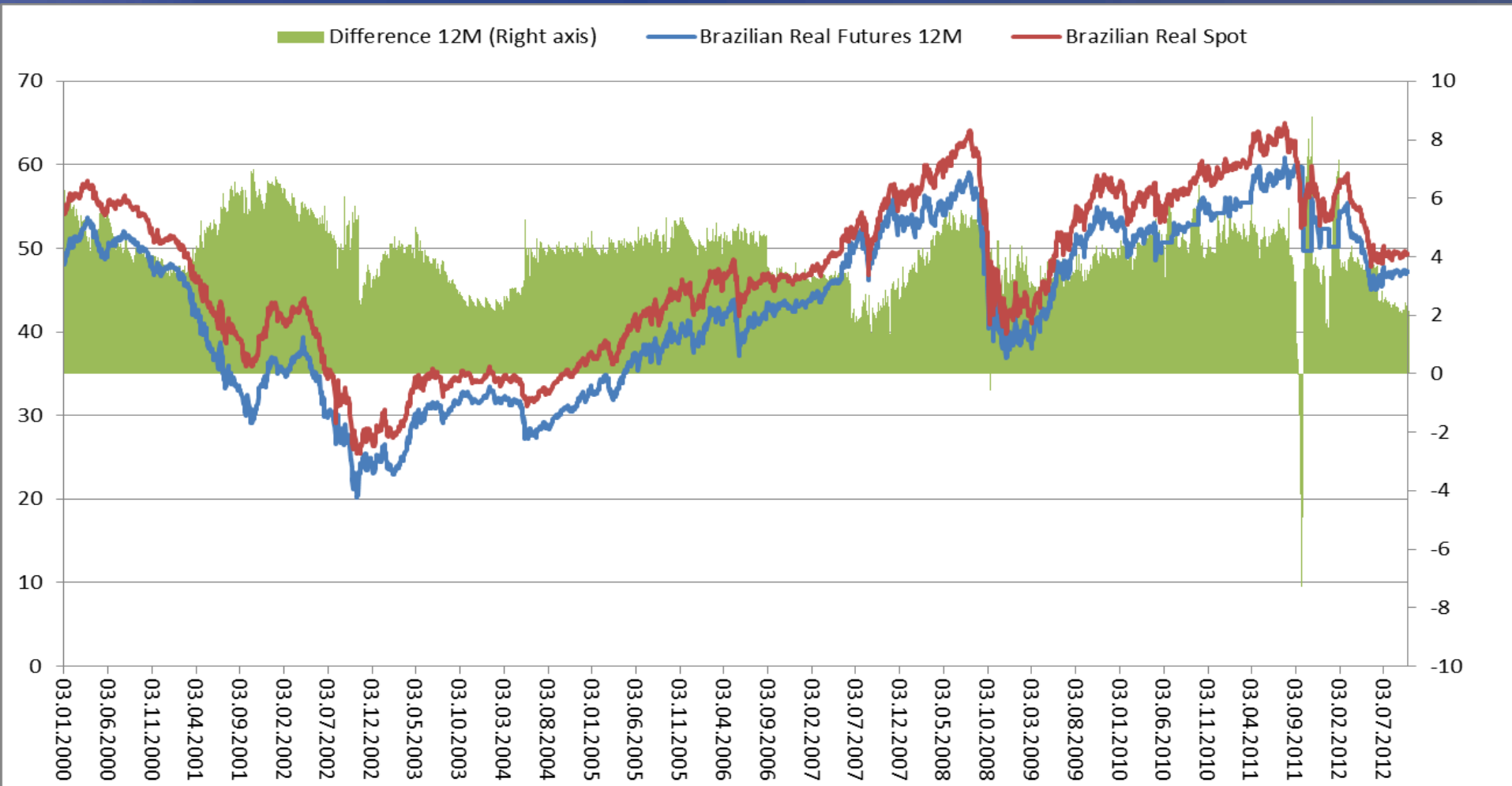


Other agricultural products show the same break as oil in HFT



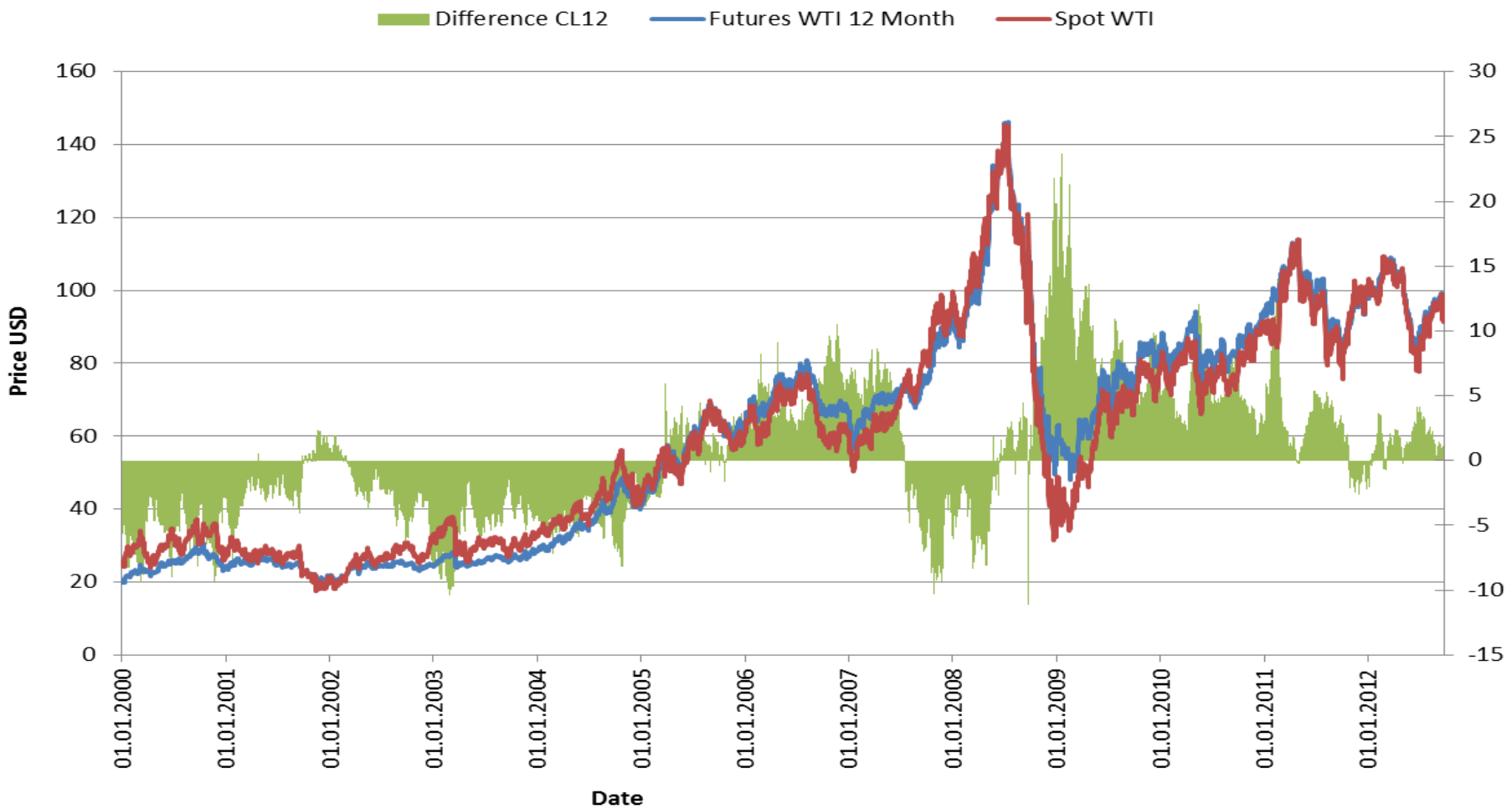


Daily movements of the Brazilian Real spot and 12 month future prices: no future in the futures and no price discovery



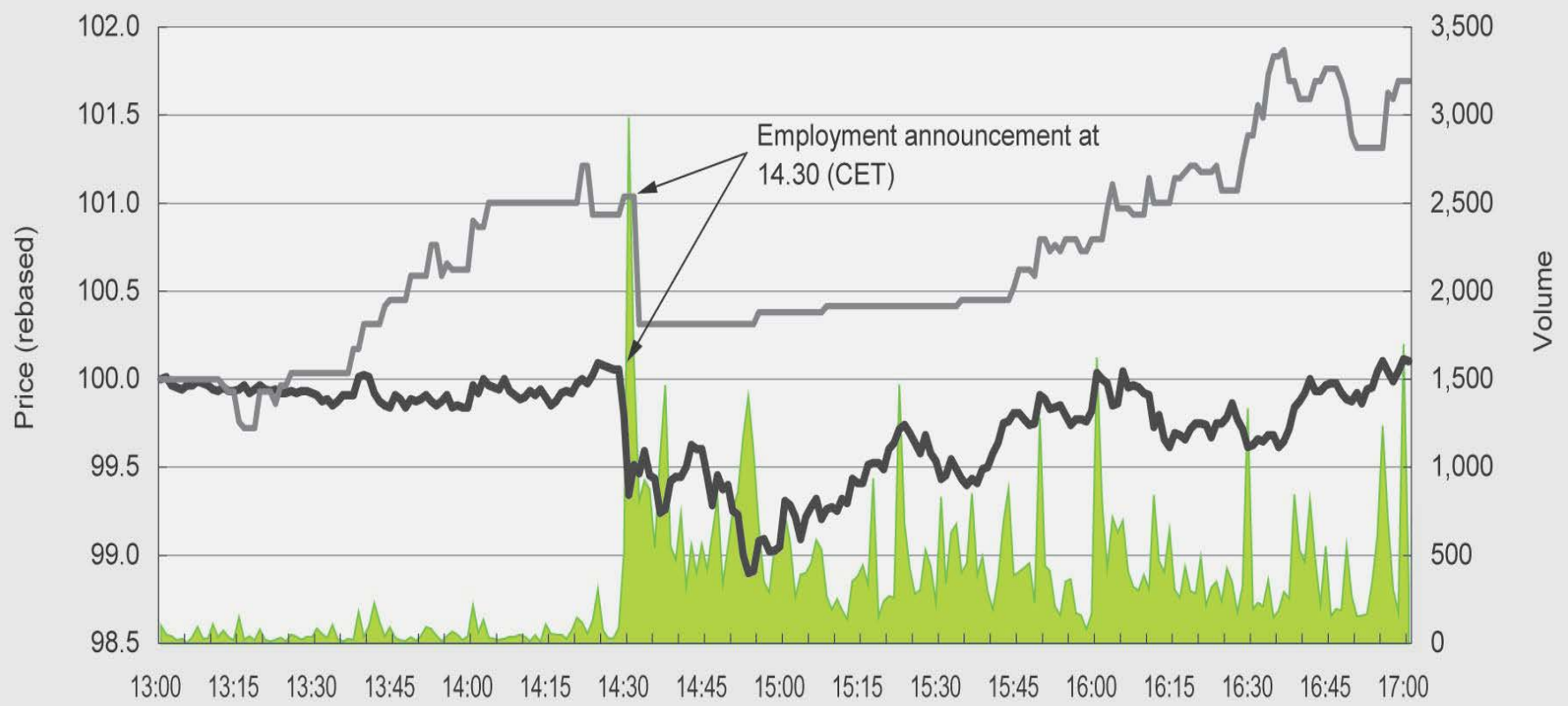


Daily movements in the WTI spot and 12 month future prices: the future is more uncertain than ever before





Information generation and use is inefficient in financial markets: Herding and price distortion but no additional liquidity from financial markets



— Cocoa futures price (left scale) ■ WTI volume (right scale)
— WTI futures price (left scale)