Commodity Markets

Module Code: ECO00017I  Credits: 10  Year: 2  Terms: 2
Contact Hours: 8 Lectures, 4 Seminars (12 contact hours)
Module Organiser: Professor P J Simmons

Overview:
The concepts of the core price theory course (utility, cost, supply, demand and equilibrium) are central; concepts from the first year quantitative methods/statistics courses are also freely used (random variables, their moments and calculations involving their moments). Later on random walks and auto regressions are introduced.

Questions analysed include:
- Why should stabilisation policies be thought more important for these goods than others; what forms can such policies take and what are their implications?
- Why do primary commodities typically have quite a complicated market structure with spot and forward or futures markets? How do these markets work and is their existence in the social interest?

Aims:
- To consider some of the principal problems and controversies that are peculiar to trade in primary commodities. Theoretical, institutional and empirical works are all considered. Towards the end of the course some of the special features of futures markets in financial assets are considered.
- To outline the economic structure of physical commodity markets
- To analyse these using micro market models
- To outline the modelling of forward and futures markets
- To review some empirical applications
- The course is not directly vocationally oriented and will not directly help you make your first million. If you want a very practical course, don't choose this one

Objectives:
On completing the module a student will be able to:
- Have an understanding of how to analyse simple market models theoretically in both static and dynamic forms
- Model the financial market superstructure and an appreciation of the empirical methods and results in the area
Assessment:
Assessment is by means of either a 2-hour unseen examination in the Summer Term or by submission of a project.

The deadline for submission of the project is 4pm on Monday of Week 7 of the Summer Term (Term 6).

The latest date at which students may opt for the project as assessment is the last day of the Spring Term.

Students thinking of undertaking a project must see the Module Organiser by the end of the Spring Term to arrange the topic.

The course is not at a very high technical level but algebraic formulations, the ideas of random variables and their moments will be extensively used. On occasion calculus will also be used, so it is important that you are comfortable with formal presentation. References are relatively mathematical.

Main References:
Some background reading is in: