RCAPS
Current Research Seminar

Ritsumeikan Center for Asia Pacific Studies

Equilibrium Price of Commodity Derivative Markets

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This paper studies commodity spot and forward prices. Our model considers a representative firm, which uses an input commodity to produce an output commodity, stores the commodity, and trades forward or futures commodities to hedge. We derive relations between spot, forward, and futures prices. The convenience yield can be interpreted as shadow price of storage. We compare our result with the existing models. The optimal production plan and trading strategy for spot commodity and forward are also derived. We prove the existence of equilibrium which implies that the pricing model is indeed an equilibrium price.

Registration:
https://weareapu.zoom.us/webinar/register/WN_Pqk9-Qz6QzWKYukEcAL8QA

Date: Tuesday, Oct 27, 2020
Time: 14:15-15:50