

Index Funds, Financialization, and Commodity Futures Markets

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Abstract

Some market participants and policy-makers believe that index fund investment was a major driver of the 2007–2008 spike in commodity futures prices. One group of empirical studies does find evidence that commodity index investment had an impact on the level of futures prices. However, the data and methods used in these studies are subject to criticisms that limit the confidence one can place in their results. Moreover, another group of studies provides no systematic evidence of a relationship between positions of index funds and the level of commodity futures prices. The lack of a direct empirical link between index fund trading and commodity futures prices casts considerable doubt on the belief that index funds fueled a price bubble.

[Index funds](#), [commodity](#), [futures markets](#), [prices](#), [speculation](#), [bubble](#)

[D84](#), [G12](#), [G13](#), [G14](#), [Q13](#), [Q41](#)

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