# Information Flows Between the U.S. and China Commodity Futures Trading

Published: November 2003

Volume 21, pages 267–285, (2003) Cite this article

Review of Quantitative Finance and Accounting

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## Abstract

Using a bivariate GARCH model, we examine patterns of information flows for three commodity futures traded in both the developed U.S. market and the emerging China market (copper, soybeans and wheat). For copper and soybeans, the two commodities that are subject to less government regulation and fewer import restrictions in China, we find that the U.S. futures market plays a dominant role in transmitting information to the Chinese market, a result that confirms the importance of the U.S. role as a leader in the global financial market. For the heavily regulated and subsidized wheat commodity, our empirical results indicate that the U.S.-China futures markets are highly segmented in pricing, although information transmission via volatility spillover across markets is present.

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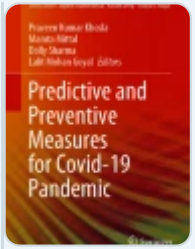


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### Cite this article

Fung, HG., Leung, W.K. & Xu, X.E. Information Flows Between the U.S. and China Commodity Futures Trading. *Review of Quantitative Finance and Accounting* **21**, 267–285 (2003).
https://doi.org/10.1023/A:1027384330827

Issue date
November 2003
DOI
https://doi.org/10.1023/A:1027384330827

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