Applied Economics ›
Volume 51, 2019 - Issue 35

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Articles

Baltic Dry Index and iron ore spot market: dynamics and interactions

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Pages 3855-3863 | Published online: 05 Mar 2019

Cite this article https://doi.org/10.1080/00036846.2019.1584384 Check for updates

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ABSTRACT

Baltic Dry Index (BDI) is often included in the iron ore spot price. Iron ore market experienced a transition in pricing mechanism from the annual negotiated price to the one based on spot market price in 2008/2009. This paper investigates the dynamics of and the interactions between BDI and iron ore spot price in the regime of the new pricing mechanism. In addition to controlled variables, we find significant spillover interacti ersion moveme et pricing.

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Disclosure statement

No potential conflict of interest was reported by the authors.

Notes

[1] Iron ore price is for Chinese imported iron ore fines.

[2] For literature of HAM in the financial markets, see Peter, Hommes, and Manzan (2007), Frijns, Lehnert, and Zwinkels (2010), Lux (2012), Huang and Chen (2014), Chen, Huang, and Zheng (2018), among others.

[3] Price including shipping cost at Tianjin port for iron ore with a content of 62% iron. Data link: http://www.imf.org/external/np/res/commod/index.aspx.

[4] The quadratic-match average method is used to interpolate the data within the quarter such that the average of monthly observations is equal to the quarterly value.

Additional information

Funding

This project received funding support from The supply chain and financial engineering technology research center, Guangdong province, China; the Youth Foundation of the Humanities and Social Sciences Research of the Ministry of Education of China [grant no. 17YJC790016; 17YJCGJW002]; the Natural Science Foundation of Guangdong Province, China [grant no. 2017A030310314].

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