Applied Economics Letters ›
Volume 21, 2014 - Issue 8

Articles

Market efficiency of commodity futures in India

Takeshi Inoue & Shigeyuki Hamori

Pages 522-527 | Published online: 03 Feb 2014

Cite this article https://doi.org/10.1080/13504851.2013.872751

Abstract

This article aims to examine the market efficiency of the commodity futures market in India, which has been growing phenomenally over the last few years. We estimate the long-run equilibrium relationship between multi-commodity futures and spot prices and then test for weak-form market efficiency by applying both the dynamic ordinary least squares and fully modified ordinary least squares methods. The entire sample period is from 2 January 2006 to 31 March 2011. The results indicate that a cointegrating relationship exists between these indices and that the commodity futures market appears efficient during the more recent sub-sample period since July 2009 onwards.

Keywords:

commodity futures market India market efficiency

JEL Classification:

G13 G14

Previous article View issue table of contents Next article

Acknowledgement

We are grateful to an anonymous referee for helpful comments and suggestions.

Notes

[1] The Indian Commodity Exchange and Ace Derivatives and Commodity Exchange were later recognized as the fourth and fifth national multi-commodity exchanges in India in 2009 and 2010, respectively.

[2] Fama (1970) classified market efficiency into three categories: weak-form efficiency, semi-strong-form efficiency and strong-form efficiency. As proposed by Fama (1970), we consider a market weak-form efficient if its futures prices reflect all the available information for predicting the futures spot prices but the participants are unable to consistently make profits. Unlike weak-form efficiency, semi-strong efficiency indicates that all public information is calculated into the current prices, while strong-form efficiency indicates that all information in a market, whether public or private, is accounted for in prices.

[3] The formal futures market was originated in the Osaka rice market during Japan's Tokugawa Era (see Schaede (1989) and Hamori et al. (2001)).

[4] Easwaran and Ramasundaram (2008) and Vishwanathan and Pillai (2010) examined the Indian commodity futures market by using techniques other than cointegration.

[5] We also divide sub-sample A into two sample periods: from the period 2 January 2006 to 30 June 2008 and from the period 1 July 2008 to 30 June 2009. However, we obtained similar results.

People also read | Recommended articles | Cited by 26

act on commodity futures volatility: A study on Indian markets ›

Nenavath Sreenu et al.
Cogent Business & Management
Published online: 4 Aug 2021

Information for

Authors
R&D professionals
Editors
Librarians
Societies

Open access

Overview
Open journals
Open Select
Dove Medical Press
F1000Research

Opportunities

Reprints and e-prints
Advertising solutions
Accelerated publication
Corporate access solutions

Help and information

Help and contact
Newsroom
All journals
Books

Keep up to date

Register to receive personalised research and resources by email

Sign me up