

Applied Economics Letters >

Volume 21, 2014 - [Issue 8](#)

746 | 26 | 3
Views | CrossRef citations to date | Altmetric

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>

 Check for updates

Sample our
Economics, Finance,
Business & Industry Journals
>> [Sign in here](#) to start your access
to the latest two volumes for 14 days

-  Full Article  Figures & data  References  Citations  Metrics
-  Reprints & Permissions [Read this article](#) [Share](#)

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](#)

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.



Publish today in
Finance and Space
FIND OUT MORE »

Related research

People also read

Recommended articles

Cited by
26

[The macroeconomic variables impact 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](#)

Opportunities

[Reprints and e-prints](#)

[Advertising solutions](#)

[Accelerated publication](#)

[Corporate access solutions](#)

Open access

[Overview](#)

[Open journals](#)

[Open Select](#)

[Dove Medical Press](#)

[F1000Research](#)

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



Copyright © 2026 Informa UK Limited [Privacy policy](#)

[Cookies](#) [Terms & conditions](#) [Accessibility](#)

Registered in England & Wales No. 01072954
5 Howick Place | London | SW1P 1WG



Taylor & Francis
by informa