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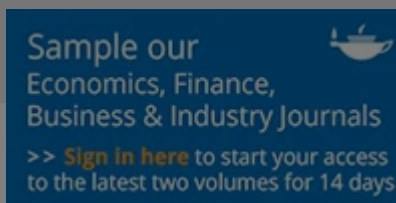
# Market efficiency of commodity futures in India

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## Abstract

This article aims to examine the market efficiency of the commodity futures market in India, where the market has been operating since 1993. The study uses daily spot and futures prices and examines the long-run relationship between them. The results show that the market is efficient in the long run, but there is a significant price premium in the short run. The study also examines the role of the Indian government in the market and finds that the government has a significant impact on the market. The study concludes that the market is efficient in the long run, but there is a significant price premium in the short run. The study also examines the role of the Indian government in the market and finds that the government has a significant impact on the market.

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## Acknowledgement

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

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## Notes

<sup>1</sup> 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.

<sup>2</sup> 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.

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

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

<sup>5</sup> We also used the data from January 2006 to 30 June 2006. However, we obtained the same results.



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