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Cross-market soybean futures price discovery: does the Dalian Commodity Exchange affect the Chicago Board of Trade?

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Abstract

In this paper, we examine the role that the Dalian Commodity Exchange (DCE) plays in the global price discovery of soybean futures. We employ Structural Vector Autoregressive and Vector Error Correction models on the returns of the DCE and the Chicago Board of Trade (CBOT) soybean futures during trading and non-trading hours, and the result suggests that information transfers between DCE and CBOT in both directions. Our findings indicate that the DCE plays a significant role in the price discovery of soybean futures, and its influence is more pronounced during trading hours than during non-trading hours. The results also suggest that the DCE and CBOT play a similar role in the price discovery of soybean futures, and the DCE's role is more prominent in the price discovery of soybean futures than the CBOT's role. The results also suggest that the DCE and CBOT play a similar role in the price discovery of soybean futures, and the DCE's role is more prominent in the price discovery of soybean futures than the CBOT's role.

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Keyword

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Notes

- ¹Note that bold letters denote a matrix or vector in this paper.
- ²In the empirical analysis, we allow a lag of order 2 in the SVAR; hence, ρ also influences the DCE returns. However, because its magnitude is quite small from our empirical results, we omit it when presenting the value of ρ .

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