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Inconvenience yield, or the theory of normal contango

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The relative impact of fundamental imbalances and financial flows on oil prices remains the subject of intense debate among market participants, economists, and policy makers. Proponents of traditional fundamental views blame the oil price spike of 2008—when U.S. crude rose to an all-time high of almost $150 a barrel—primarily on the inability of the global refining industry to cope with the rapid demand growth from emerging markets. Conversely, practitioners tend to point towards additional demand for

Traditionally, there has always been more producer hedging than consumer hedging in oil markets. While investor money used to balance this gap nicely, it now far exceeds it. It is important, though, to realise that the reasons investors are coming to the oil market have changed. With contango being the 'normal' oil market structure for the last several years, investors are no longer investing in the front end of the oil market primarily in order to collect a positive risk premium driven by the roll

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Various a 10 and April 2011, Pa sk USA (May 2011, Ho eful discussi es to be reliable.