

- A
- Abanomey, Walid S., 241
- Abosedra, Salah, 364n
- Abramson, Bruce, 373n
- Absolute return-based excess returns metrics, 298, 303
- Absolute return strategies, 269
- Active CISDM CTA Index, passive CISDM CTA Index (contrast), 559e
- Active commodity allocations implied returns, 499e portfolio characteristics, 500e
- Active commodity investing hedge funds, usage, 491–496 management, 479–480 managers evolution, 481–482 performance overview, 491–492 specialist CTAs, usage, 491–496
- Active investing, 557–561. *See also* Hedge funds; Managed futures
- Actively managed program, advantage, 561n
- Active managers hedge, role, 501–502 profit, ability, 559
- Adaptive moving averages (AMAs), 399
- ADF. *See* Augmented Dickey Fuller
- Agent-based model, usage. *See* Market price dynamics
- Aggarwal, Raj, 724n
- AGR. *See* Barclays Agricultural Traders Index
- Agricultural commodities CTA specialization, 493–494 fundamentals, 863 futures options, exchanges (involvement), 574 study, 73–74
- Agricultural CTAs market factor exposure, 496e
- Agricultural futures, seasonal hypothesis, 80
- Agro-raw materials. *See* Animal agro-raw materials; Industrial agro-raw materials
- Ai, Chunrong, 84n
- Akaike criterion
- Akaike information criteria, 370n, 101–102
- Akey, Rian P., 88n, 97n, 202n, 218n, 225n, 452n, 484n, 664n commodity allocation argument, 483–484
- Alexander, Carol O., 339n, 584n, 586n, 587n, 592n, 593n
- Alexander, Sidney S., 393n, 916n
- Alexander's Filter Rule, 913, 916–917
- Ali, Paul U., 617n, 618n, 620n, 623n, 624n, 661n
- Al-Loughani, Nabeel E., 362n
- Alloy, mixture, 777
- Alpha constancy, 339 definition, 423 estimation, 306, 309 sources. *See* Commodities values, decrease, 253
- Alternative energy, 687–695
- Aluminum, 701–702 characteristics, 782 copper, divergence/recovery period, 799 judgmental/ECM forecasts, 378e production, disadvantage, 702 spread/ratio, 799e
- AMAs. *See* Adaptive moving averages
- Americ, Noel, 197n, 198n
- American options, 589–590 pricing, 589
- Amin, Gaurav S., 493n
- Animal agro-raw materials, 710–711
- Ankrim, Ernest M., 23n, 26n, 68n, 89n, 527n, 619n
- Annual global base metal production, 780e
- Annual hydroelectric production. *See* European Union
- Annualized average monthly return/volatility, 32e
- Annualized excess return, result, 449
- Annualized metal volatility, 794e
- Annualized negative roll yield. *See* Natural gas
- Annualized portfolio volatility, commodity investment strategies (contrast), 411e
- Annualized returns. *See* Sector indexes
- Annualized volatility. *See* Investment opportunity set
- Annual quantity (AQ). *See* United Kingdom determination, 830
- Anson, Mark J.P., 64n, 73n, 84n, 192n, 241n, 462n, 669n
- Apollo (CCO), 620

- Arbitrage  
 function, 117  
 model, proposal, 98–99  
 opportunities,  
 nonoccurrence, 45  
 problem, 47  
 profits, 44–45  
 strategy, 40–41
- Arbitrageurs, 5, 6
- Arditti, Fred D., 459n
- ARIMA. *See* Autoregressive  
 Integrated Moving  
 Average
- Arithmetic returns, usage,  
 630n
- ARMA. *See* Autoregressive  
 moving average
- Armesto, Michelle T., 98n
- Artzner, Philippe, 471n, 473n
- Asche, Frank, 833n, 837n
- Asian Contagion, 51
- Asian options, 590–591  
 averaging period, 590  
 prices, approximation, 591
- Asness, Clifford, 627n
- ASPO. *See* Association for  
 the Study of Peak Oil
- Asset classes  
 behavioral context,  
 485–486  
 commodities,  
 classification, 682e  
 defining, benefits, 243–244  
 economists, viewpoint,  
 243–244  
 empirical studies,  
 problems, 426  
 familiarity, absence, 462  
 investors, consideration  
 (reasons), 243  
 regressions, 254e  
 risk premium, earning,  
 244–245
- Asset-only analysis, usage,  
 529
- Asset-only mean-variance  
 frontier, 530e
- Asset-only optimal portfolio  
 weights, 526
- Asset-only portfolio,  
 combination,  
 531–532
- Assets  
 allocation, problem, 242n  
 attention, caution,  
 455–463  
 behavior (description),  
 correlation (usage).  
*See* Portfolio  
 funds allocation, negative  
 correlation, 214–215  
 gold, correlation, 745  
 returns  
 bid-ask spread  
 estimators, 941–942  
 covariance matrix, 526
- Asset spanning regression,  
 Excel (usage), 262–  
 263
- Asset-specific risk premium,  
 continuous  
 compounding (usage),  
 119
- Assets under management  
 (AuM), examination.  
*See* Energy hedge  
 funds
- Asset weighting, equal  
 weighting (contrast),  
 278
- Association for the Study of  
 Peak Oil (ASPO),  
 seismic methods, 683
- Assumed volatility,  
 difference, 345–346
- Asymmetric GARCH model,  
 usage, 586
- At-the-money (ATM) level,  
 592
- Augmented Dickey Fuller  
 (ADF)  
 statistic, 367e  
 test, 366
- AUP. *See* Average up closes
- Austrian cameral valuation  
 method, 157–158
- Autocorrelation function  
 (ACF), 235  
 plotting. *See* Sample ACF
- Autoregressive Integrated  
 Moving Average  
 (ARIMA) model, 926–  
 927  
 generation, 377n  
 specification, application,  
 927  
 usage, 911  
 writing, 370, 372
- Autoregressive moving  
 average (ARMA),  
 363–364
- Average down closes (ADC),  
 916
- Average roll yields, 135n
- Average term structure timing  
 indicator, 449e
- Average up closes (AUP), 916
- Avsar, S. Gulay, 364n
- B
- Bachmeier, Lance J., 835n
- Backfill bias. *See* Commodity  
 trading advisors
- Back-testing, 402–403
- Backwardated commodity  
 markets, downward  
 sloping futures curves,  
 49
- Backwardation, 18–22, 49,  
 124–125, 608  
 basis. *See* Scarcity models  
 contango, contrast, 47–53,  
 551e  
 cost structure, 551  
 definition, 510n  
 dependence, 21  
 display, 125–126  
 hedging pressures, impact,  
 431  
 investment conditional,  
 448–449  
 Keynes term, 49  
 performance results,  
 439  
 phenomenon, 257n  
 term structure, 78  
 curve, 20  
 theory, 430–431. *See also*  
 Normal  
 backwardation  
 time, 427, 430  
 usage. *See* Commodities
- Bacmann, Jean-Francois,  
 507n
- Bader, Lawrence N., 525n
- Bailey, Warren, 88n
- Bannister, Barry B., 445n
- Bantwal, Vivek J., 622n
- Barberis, N., 83n
- Barclay Agricultural Traders  
 Index, 491, 559n,  
 560n
- Barclay BTOP 50 Index,  
 276
- Barclay CTA Index (BARC),  
 669
- Barclay Group Index, 275
- Barclays Global Investors  
 iShares COMEX  
 Guild Trust, 567e
- Barclays Global Investors  
 iShares Silver Trust,  
 567e
- Barclay Trading Group, 558n
- Barlow, Martin T., 597n
- Barnhart, Bill, 555n
- Barone-Adesi, Giovanni,  
 590n

- Barry, Christopher B., 628n  
 Basak, Suleyman, 472n  
 Base assets, annualized returns/volatilities, 527–528  
 Base block. *See* Electricity  
 Base metals, 701–706  
   applications, usage percentage, 783e  
   cash and carry rate, 789  
   cash and carry spread, 789  
   commodities, consumer/producer viewpoint, 787–788  
   definitions, 777–780  
   demand, producer estimation, 788  
   diversification, 798  
   equities, investing, 797–798  
   exchanges, 784–785  
   extraction processes, differences, 779  
   forward curve, 790e  
   futures position, leverage (creation), 795–796  
   global production  
     cash cost/supply curve, 782e  
     geographic distribution, 779e  
   industry, 780–783  
   investing, 776  
   investment strategies, 792–801  
   long-term spread, scatter plot, 801e  
   market  
     stock developments/terms structure, synchronization, 444–445  
     structure, 784–792  
   mining companies, ranking, 781e  
   mining output, 780–781  
   mining/refining, marginal cash cost, 781  
   origination, 777–780  
   pairwise correlation, 797e  
   prices, 793  
     discovery process, 787  
     increase, 796–797  
     index, 794e  
   production, 780–781. *See also* Annual global base metal production  
   purification, refining process selection, 778  
     relative value, 798–800  
     risk, 796  
     arbitrage, 798–800  
     separation, metallurgical process selection, 778  
   Sharpe ratio direct investment, annual return/annual volatility, 795e  
   short-term spread, scatter plot, 801e  
   supply/demand balance, 790  
   term structure, 788–792  
   traders, impact, 790–791  
 Basic operational risk management, 665  
 Basis  
   CBOT characteristics, 876  
   history, 877–878  
   predictability, 876–877  
   report. *See* Risk management  
 Bauer, Rob, 33n, 74n, 447n, 542n  
 Bayer process, 779n  
 Beaglehole, David, 582n  
 Bear, Robert M., 913n  
 Beck, Stacie F., 364n  
 Becker, Kent G., 68n  
 Becquerel, Edmond, 688  
 Beef production, forecast. *See* Cattle  
 Beener, Jelle, 210n  
 Behavioral models, 935–936  
 Benchmarks. *See* Commodity trading advisors  
   correlations, 517e  
   excess return estimates, differences, 289  
 Benedix, Thomas, 431n  
 Benington, George A., 393n, 910n, 924n  
 Benirschka, Martin, 59n  
 Benth, Fred E., 597n  
 Benz, Eva, 858n  
 Bera, Anil K., 467n  
 Berkshire Hathaway, silver investor, 769  
 Berndt, Ernst K., 342n  
 Berndt, Hall, Hall, and Hausman (BH HH)  
   hill-climbing methodology, 341–342  
 Bessembinder, Hendrik, 61n, 77n, 122n, 124n, 597n  
 Bessembinder-Lemmon model, two-period model (assumption), 600  
 Bessler, David A., 365n, 373n  
 Beta-adjusted return comparisons, problems, 306, 309  
 Beta coefficients. *See* Petroleum  
 Beta plus, pursuit, 484  
 Beta-switching behavior, engagement, 485  
 BFGS. *See* Broyden, Fletcher, Goldfarb, and Shanno  
 B&H. *See* Buy-and-hold  
 BHHH. *See* Berndt, Hall, Hall, and Hausman  
 Bid-ask spreads, data, 941–943  
 Bies, Feri èe, 522n  
 Biglova, Almira, 473n  
 Billingsley, Randall S., 483n, 651n, 910n  
 Binkley, James K., 59n  
 Bioethanol, gasoline substitute, 691–692  
 Biogas, 692–693  
 Biomass. *See* Gaseous biomass; Liquid biomass; Solid biomass  
   energy, 690–693  
 Bjerksund, Petter, 582n  
 Bjornson, Bruce, 59n, 69n, 71n, 73n, 75n, 108n  
 Black, Fischer, 338n, 588n, 935n  
 Black, Jürgen-E., 146n  
 Black-Scholes formula, 588  
 Blake, David, 526n  
 Blose, Laurence E., 732n  
 Blume, Lawrence, 934n  
 Blume, Marshall E., 393n, 910n  
 Bodie, Zvi, 10n, 30n, 39n, 57n, 60n, 63n, 67n, 89n, 256n, 424n, 456n, 457n, 461n, 523n  
 Boeing, futures contract (purchase), 50  
 Boesch, Rick, 440n  
 Bollerslev, Tim, 586n  
 Bonds  
   decline, 214–215  
   definition, 490  
   dependence structure, 237  
   indexes, 513–517

- Bonds (*Continued*)  
 monthly returns,  
   correlations, 237e  
   inflation, impact, 239e  
 monthly total returns,  
   summary statistics,  
   235e  
 portfolio, efficient  
   frontiers, 64  
 Booth, David G., 25n, 209n  
 Bootstrap procedure, 928  
 Borrower, commodity price  
   risk exposure, 623  
 Borrowing costs, 160  
 Boswijk, Peter, 928n  
 Boulding, Kenneth E., 149  
 Brandt, Jon A., 365n, 373n  
 Bravais Pearson coefficients.  
   *See* Commodity  
   trading advisors
- Brazil  
   Proalcool program, 892  
   sugar production, 891  
 Brazil, Russia, India, and  
   China (BRIC), 3  
   industrial production,  
   growth, 792  
 Brennan, Michael J., 431n  
 Brenner, Robin J., 364n  
 Brent crude oil, 136  
 Bretton-Woods gold system,  
   713–714  
 Brigo, Damiano, 585n  
 British London Metal  
   Exchange, 18  
 Brock, William, 928, 938n,  
   939n  
 Brooks, Chris, 489e  
 Brorsen, B. Wade, 393n,  
   394n, 918n, 923n–  
   927n, 939n–942n,  
   944n  
 Brown, David P., 934n  
 Brown, Stephen J., 650n,  
   656n  
 Brownian motion. *See*  
   Geometric Brownian  
   motion  
 Broyden, Fletcher, Goldfarb,  
   and Shanno (BFGS)  
   hill-climbing  
   methodology,  
   341–342  
 Bullion, precious metal form,  
   695  
 Bull market, initiation, 446  
 Bunn, Derek W., 835n  
 Burner tip. *See* United  
   Kingdom
- Business cycle  
   demand/exchange rate  
   effects, combination,  
   111  
   indicators, monetary  
   environment  
   indicators  
   (combination), 447  
   NBER definition, 446  
   phases, 109e  
   return properties,  
   110e  
   relationship. *See*  
   Commodities  
   returns, 219–220  
 Buy-and-hold (B&H) index,  
   205  
 Buy-and-hold (B&H)  
   strategy, 25, 918
- C  
 Caglayan, Mustafa Onur,  
   58n, 463n  
 CAI. *See* Citi Alternative  
   Investments  
 Cai, Jun, 725n  
 Calendar basis risk,  
   reduction, 590  
 Calendar spreads, collection,  
   439–445  
 Calmar ratio, analysis  
   (impossibility), 640n  
 CalPERS, 204  
 Calyon Financial/Barclay  
   Index, 275  
 Campbell, John Y., 25n,  
   212n, 538n  
 Candlestick charting, 910n  
 Capie, Forrest, 727n  
 Capital Asset Pricing Model  
   (CAPM), 10, 28  
   assumption, 925  
   commodities, conforming  
   (absence), 38  
   development, 56  
   framework, 29, 57  
   usage. *See* Structural risk  
   premium  
   risk-adjusted performance  
   measure, 941  
   T-bill benchmark,  
   comparison, 286  
 Capital assets, 9  
 Capital calculation, loss  
   (percentage), 327e  
 Capitalism, progression,  
   159–162  
 Capital management. *See*  
   Forestry
- CAPM. *See* Capital Asset  
   Pricing Model  
 Carbon dioxide (CO<sub>2</sub>)  
   abatement options, 844  
   emissions. *See* Global CO<sub>2</sub>  
   emissions  
   prices. *See* European  
   Trading Scheme  
 Carbon market, fundamental  
   drivers, 853–856  
 Carmona, Rene, 593n  
 Carr, Peter, 589n  
 Carter, Colin A., 21n, 59n,  
   61n, 69n, 71n, 73n,  
   75n, 80n, 108n  
 CASAM. *See* Credit Agricole  
   Structured Asset  
   Management  
 Cash, inflation-protected  
   liabilities  
   (correlation), 529  
 Cash and carry rate/spread.  
   *See* Base metals  
 Cash-collateralized  
   commodity  
   investment, 27–28  
 Cash copper, spread, 800e  
 Cashin, Paul Anthony, 359n,  
   365n, 366n, 506e,  
   556n  
 Castagnino, John-Peter, 617n  
 Cattle, 878–883. *See also*  
   Feeder cattle; Live  
   cattle  
   beef production, forecast,  
   882–883  
   demand, 880–881  
   feedlot services, purchase,  
   879  
   forward contracting, 880  
   futures, Sharpe ratio, 427  
   gestation/breeding, 879  
   grid pricing, 880  
   overview, 878–880  
   producers, product, 880  
   supply, 881  
   trading, 881–883  
   USDA monthly estimates,  
   882  
 Causality, treatment,  
   131–133  
 CBGA. *See* Central Bank  
   Gold Agreement  
 CBOT. *See* Chicago Board of  
   Trade  
 CCGTs. *See* Combined cycle  
   gas turbines  
 CCOs. *See* Collateralized  
   commodity options

- CDM. *See* Clean development mechanism
- Center for International Securities and Derivatives Market (CISDM)
- correlation. *See* Goldman Sachs Commodity Index
- CTA Asset Weighted Diversified Index, 295
- CTA Asset Weighted Index, 561
- CTA indexes, 629
- correlation, 489–490
- database, 282–283
- management, 268
- indexes, 275
- monthly returns, study, 628
- physicals index (PHY), 491
- Public CPO Asset Weighted Index, 514n
- Research Department, 627n
- impact, 241–242
- Central Bank Gold Agreement (CBGA), 733
- Central bank price-smoothing behavior, 927
- Central banks, money market instruments, 4n
- Central moments. *See* Fourth central moment; Second central moment; Third central moment
- Certificates, 13. *See also* Commodity indexes; Gold
- disadvantage. *See* Indexes
- CFTC. *See* Commodity Futures Trading Commission
- Chan, K.C., 88n
- Chance, Donald M., 483n, 651n, 910n
- Chang, Eric C., 60n
- Chang, P.H. Kevin, 913n
- Channel break-out trading system, performance (comparison), 927
- Channel system, analogy, 915
- Chao, Hung-Po, 858n
- Chaos theory, 937
- Chappell, David, 723n
- Chart patterns, forecasting ability, 913
- Chatrath, Arjun, 84n
- Chebanier, Alain, 582n
- Chen, Yao, 628n
- Cheung, Yan-Leung, 725n
- Chicago Board of Trade (CBOT), 18, 40, 574
- characteristics. *See* Basis
- hard wheat, hedging risk, 875
- silver trading, 774
- warehouse receipts, delivery, 867
- wheat, delivery, 864
- Chicago Mercantile Exchange (CME), 18, 40, 574
- futures contracts, 42
- Livestock Futures and Options*, 881n, 886n
- Chidambaran, N.K., 615n
- China
- aluminum consumption, 783
- copper consumption, 783, 784e
- copper demand, 4
- silver refinery, 770–771
- Chinn, Menzie D., 363n
- Choice, risk measure, 471e
- Cholesky decomposition, alternative, 347–348
- Cholesky ordering, 103
- Chong, James, 35n, 78n
- Chow, George, 523n
- Chua, Jess, 724n
- Chwee, Victor, 842n
- CISDM. *See* Center for International Securities and Derivatives Market
- Citi Alternative Investments (CAI), 549n
- Clean development mechanism (CDM), 859
- project. *See* European Union
- ClearPort. *See* New York Mercantile Exchange
- Clewlow, Les, 336n, 337n, 338n, 823n, 824n
- CL forward curve. *See* New York Mercantile Exchange
- confidence bands, 355e
- Click-and-trade, impact, 804
- CLNs. *See* Commodity-linked notes
- Clow, Simon, 783n
- Clyde, William C., 937n
- CME. *See* Chicago Mercantile Exchange
- CNG. *See* Compressed natural gas
- Coal, 685–686
- plant, CO<sub>2</sub> output, 854n
- U.S. dollars, trading, 821
- Cocoa, 708
- Coefficients, estimation, 95
- Coffee, 707–708
- commodities, least traded contracts, 379n
- judgmental/ECM forecasts, 378e
- judgment/ECM forecasts, 377, 379
- market, discussion, 127–128
- preciousness, 708
- Coffee, Sugar and Cocoa Exchange (CSCE)
- cocoa futures prices, 928
- Coibion, Olivier, 363n
- Coins, precious metal form, 695
- Cointegration, 365–370
- Collateral
- return, 23
- percentage, 229
- yield, 26
- Collateralized commodity futures indexes, 205n
- Collateralized commodity futures returns, descriptive statistics, 61
- Collateralized commodity options (CCOs), 614–616
- attraction, 619
- CLNs, contrast, 615–616
- drivers, 616–619
- flowchart, 622e
- issuers/originators, 616–617
- legal structure, 620–625
- price risk, 620
- securities, investment, 619
- Combined cycle gas turbines (CCGTs), 829
- dominance, 834
- number, increase, 835
- COMEX. *See* New York Commodity Exchange

- Commodities. *See* Hard commodities; Soft commodities
- allocation, dissection, 497
  - annualized returns/volatilities, 527–528
  - annual risk-return characteristics, 234e
  - asset class
    - evidence, 255
    - heterogeneity, 6–7
  - asset class evidence, 255
  - average returns, empirical results, 136
  - average spot return, 554e
  - backwardation, usage, 22e
  - bear market, 482
  - benchmark problem, empirical analysis, 176–197
  - boom/drought, 480
  - business cycle, relationship, 107–112
  - cash prices, long-term cycles, 446
  - comovements, 88
  - consumer prices, contrast, 481e
  - contract months, 451e–453e
  - correlations, 460–461
    - matrix, calculation, 469
  - CRB monthly cash index, 445
  - criterion, 10
  - cycles, market timing (relationship), 445–449
  - demand, 108
    - reduction, 100
  - distributional characteristics, 507–509
  - equity prices, rolling correlation, 563e–564e
  - excess returns, 211e
    - parameters/*p*-values, 251e
  - exposure, 463–469
    - offering. *See* Commodity trading advisors
    - physical purchases, impact, 463
  - exposure, obtaining, 227–228
  - forecasts, directional accuracy (relevance), 374
  - forward curve, principal components, 351–352
  - future, 479
  - future returns, empirical results, 136
  - high return, 63–64
  - holding, 99n
  - homogenous asset class, treatment (impossibility), 427
  - inflation
    - hedge, 88–97, 505–507
    - relationship, 67–71, 461–462
  - inventories, 116
    - holding, payoff, 117–118
  - investing, 480–481
    - alpha sources, 423
  - literature, concentration, 87–88
  - market opinion, 462
  - momentum portfolios, 223e
  - monthly returns, correlations, 237e
    - inflation, impact, 239e
  - monthly total returns
    - summary statistics, 235e
  - myopic short-term allocation, statistical significance, 539e
  - NBER monthly cash index, 445–446
  - optimization, 475–476
  - options, 570
    - markets, 571–574
    - performance, 234e
    - analysis, 75–76
    - popularity, 549–550
  - real prices, 360
  - role, investigation, 66
  - roll returns, empirical results, 136
  - sectors, 6–7
    - classification, 8e
  - selection models, 432
  - short-term allocations, 536–538
  - specialist CTAs, embedded commodity exposure (estimates), 495e
  - specialists, active manager role, 497–498
  - spot prices
    - reaction, 68
    - variability, 361n
  - stability/availability, 7
  - strategic allocation. *See* Retirement savings schemes
    - statistical significance, 535e
  - tactical allocation, 538–541. *See also* Retirement savings schemes
  - term structure, 126e
    - strategy, 224e
  - trigger swaps, 623
    - recharacterization risk, relationship, 624–625
    - status, 624–625
  - value, limitation, 524
  - weights
    - development, 477e
    - significance, testing, 534–536
  - Commodities-linked ETFs, 566–567
    - outline, 567e
  - Commodities-related ETFs, 566, 566e
  - Commodity-based equities, 561–562
    - investment, systematic risk (impact), 562
  - Commodity Exchange of New York. *See* New York Commodity Exchange
  - Commodity exchanges, 17–18
    - list, 19e
    - rates
      - correlations, 107e
      - relationship, 105–107
  - Commodity funds, 12
  - Commodity futures, 15–17, 40, 45–47
    - active investment, advantages, 17
    - annualized monthly returns, historical risk premium, 205
    - annual return, Wilshire forecasts, 225n
    - arbitrage, 47e
    - asset class, 63–67, 423–426
    - benchmark, defining, 171
    - cash-collateralized portfolio return, components, 209–214
    - cost of carry, 115
    - distinction, 116–117

- equally weighted portfolio, 424–425
- excess return, 28e
  - roll return, contrast, 258e
- exchanges, prices, 18–28
- financial futures, distinction, 46
- investments, 56
  - GSCI basis, 418
  - return components, 22–28
- markets
  - efficiency, 362–364
  - indirect alpha approach, 432
  - momentum strategy, 221
  - performance benchmarks, review, 169
  - performance characteristics, 203
  - portfolios
    - components, attraction, 57
    - example, 425
    - risk management, 335–338
  - positive excess returns, 257–258
  - prices
    - inflation hedging properties, 218
    - variability, 361n
  - pricing/economics, 38
  - returns
    - components, 24e
    - macroeconomic determinants, 87
    - statistical analysis, 227
  - return statistics, 426–431
    - example, 428e–429e
  - risk premium models, 118
  - strategic motivations, 56
  - tactical opportunities, 56
  - trades, construction, 410–411
  - trading program, design process, 406
  - universe, increase, 206
- Commodity futures indexes, 13, 15
- correlation properties, 215
- diversification benefits, 241
- empirical results, 249–255
- measure, problem, 260
- ranking, 14e
- relationship. *See* Gold
- Commodity Futures Trading Commission (CFTC), 39–40, 391
- definition. *See* Commodity pool operator;
- Commodity trading advisors
- Commodity hedges
  - funds, types, 661–664
  - providing. *See* Inflation
- Commodity Index
  - Components, 177e
  - certificates, 13
  - commodity returns portfolio, viewpoint, 259–260
  - commonality, 93
  - correlation, monthly excess return data (basis), 470e
  - long-only approach, testing, 436, 439
  - long-only strategy, 505
  - negative returns, 110–111
  - performance, problems, 255–261
  - provider/characteristics, 464–465
  - return rate, inclusion, 556–557
  - summary, 471–476
  - values divergence, 178–179
- Commodity investments
  - active investments, 479
  - background, 480–482
  - portfolio implications, 497–501
  - benefits, 524
  - empirical investigation, 526–533
  - consideration, 523
  - evaluation, framework, 484–485
  - passive form, 13
  - perspective, 462–463
  - strategic motivation, 58–74
  - strategies, contrast. *See* Annualized portfolio volatility
  - tactical opportunities, 74–86
  - types, 549
  - volatility, 252e
- Commodity-linked notes (CLNs), 615
- contrast. *See* Collateralized commodity options
- Commodity markets
  - alpha strategies, 432–449
  - backwarddating, 52
  - economics, 47–53
  - events, exposure, 328
  - manager selection, 432
  - participation, prospects, 10
  - supply/demand
    - disequilibrium, 208–209
  - technical analysis, profitability, 909
  - early studies, 918, 923–924
  - early studies, summary, 919e–922e
  - empirical studies, 917–930
  - modern studies, 924–930
  - technical analysis, studies (summary), 931e–933e
  - technical strategies, 432
- Commodity-oriented portfolios, risk management techniques/strategies/tactics (application), 314
- Commodity pool operator (CPO), CFTC
  - definition, 266n–267n
- Commodity portfolios
  - derivation. *See* Efficient commodity portfolios
  - efficient frontier, 454, 474–477
  - considerations, 455–463
  - exposure, measurement/calculation process (importance), 317
  - fund position, lightening, 319
  - guidelines/limits, 317–318
  - ideals/realities, 314–315
  - iteratives, usage, 317–318
  - liquidity problems, measurements, 318
  - mean-CVaR efficient frontiers, 475e, 476e
  - optimization, usage, 35–36
  - positions, size (measurement), 318
  - programs, software, 317

- Commodity portfolios  
 (*Continued*)  
 risk management, 313  
   approaches, 316  
   infrastructure, 316–317  
   performance attribution, 331  
   strategies, 322  
   techniques, 318–320  
   variables, 313–314  
 strategies, usefulness (decision), 319  
 term structure, basis, 434
- Commodity price index (CRY), 480  
 selection, 487e
- Commodity price risk exposure. *See* Borrower hedge, 616–617  
 proxy. *See* Credit risk securitization, 613  
 transfer, 620–621
- Commodity prices  
 business cycles, impact, 446–447  
 changes, risk, 51  
 developments, 360–365  
 financial asset prices, comparison, 53–54  
 forecasts  
   accuracy, assessment, 359–360  
   complication, 358–359  
   data, 376–379  
   futures, incorporation, 358  
   results, 379–388  
 impact, 502  
 inflation, relationship, 205  
 mean reversion, 106  
 nonstationary characteristics, 366  
 passive/active manager total returns, contrast (performance statistics), 488e  
 real interest rate, increase (impact), 102e  
 reduction, 108  
 term structure, 122–128, 447–448
- Commodity-related companies, equity shares (purchase), 562
- Commodity Research Bureau (CRB)  
 classification, 176n  
*Commodity Yearbook* 2005, 881, 885
- CRB/Reuters, 171–172  
 data, 170n, 890n  
 Index, 464–465  
 LBCI, contrast, 179–180  
 monthly cash index. *See* Commodities  
 Total Return Index, introduction, 486
- Commodity returns, 534  
 contrast. *See* Stocks  
 distributions, kurtosis (presence), 460  
 dynamic linkages. *See* Monetary policy  
 exchange rate, impact, 111e  
 inflation, relationship, 238–239  
 mean reversion behavior, 322–324  
 momentum, 83–86  
 world demand, impact, 111e
- Commodity Sector Weights, 176e
- Commodity-specialist active managers, 480
- Commodity stock index (CSI), 246, 249  
 alpha, *p*-values, 253n  
 exception, 250
- Commodity stocks, 11–12
- Commodity supercycle theory, 4
- Commodity trading advisors (CTAs), 12, 391. *See also* Micro-CTAs  
 advantages, 630–631  
 allocation, standalone investment, 489  
 alpha, determination, 280  
 asset allocation studies, 483  
 assets, 648–650  
 Asset Weighted Discretionary Index, 643  
 benchmark design  
   backfill bias, 277  
   data issues, 277–278  
   issues, 277–279  
   manager bias, 277  
   manager selection, 278  
   selection bias, 277  
   survivorship bias, 277–278  
   weighting, 278  
 beta switching, neglect, 485
- CFTC definition, 266n  
 classifications, definition, 652e  
 commodity exposure, offering, 487–491  
 computer-guided technical trading systems, usage, 910
- CTA-managed futures industry, 481–482
- CTA/managed futures strategy benchmarks  
 average manager level, empirical results, 303–306  
 data/methodology, 279–283  
 empirical analysis, 279–306  
 performance measurement, issues, 306–309  
 performance/review, 266  
 strategy index level, empirical results, 289–303  
 diversification, example, 418–420  
 fund composite/strategy listing, 278  
 funds allocation, 558  
 funds/managers, number, 278  
 growth process, 656  
 historical performance, review, 626  
 input parameters, uncertainty, 628  
 investment arguments, 632, 634  
 data, source, 940n  
 increase, 940  
 losses, client acceptance, 416  
 Market Factor Exposures, 490e  
 money, raising, 649  
 mortality, 650–651  
 portfolio diversification, commodity investment strategy (benefit), 420  
 returns. *See* Historical CTA returns  
 correlation, Bravais Pearson coefficients, 637, 640  
 performance analysis, 630–632

- risk-return profile, 627–628
  - role, 479
  - sector, trading rules/signals, examples, 391
  - specialists, usage. *See* Physicals
  - specialization. *See* Agricultural commodities
  - statistics. *See* Dead CTAs; Live CTAs
  - strategy-based portfolios, 303
  - strategy indexes, 274–276
    - discretionary trading strategy, 274
    - futures markets trend, 274
    - systematic trading strategy, 274
    - trading strategy focus, 274
  - survival, size classification, 654e
  - survivorship bias, 650–651
  - systems, modification, 399–400
  - Commodity trading advisors (CTAs) indexes, 271–274
    - comparison, 273e
    - construction, 270–279
    - design, 270–271
    - investibility, 272
    - selection criteria, 271
    - Sharpe ratio, changes (example), 420e
    - style classification, 271
    - weighting scheme, 272
  - Commodity trading strategies, 391
  - Company-specific risk. *See* Unsystematic risk
  - Composite indexes
    - composition, 171n
    - historical performance, 178e
    - monthly returns, frequency distribution, 189e
  - Compressed natural gas (CNG), 685
  - Computing power/data availability, increase/impact. *See* Systematic traders
  - Concentration risk. *See* Portfolio
  - Concordance
    - Harding-Pagan test, 374
    - statistic, 375
  - Conditional spanning, 539–540
    - tests, performing, 540–541
  - Conditional Value-at-Risk (CVaR)
    - contrast. *See* Value-at-Risk
    - risk-return optimal portfolios, difference, 472–473
    - technical implementation. *See* Mean-CVaR approach
  - Conditional Value-at-Risk (CVaR), risk measure, 471–473
  - Confidence bands. *See* CL
    - forward curve; Natural gas
  - Considine, Timothy J., 831
  - Constantinides, George M., 939n
  - Constant mean reversion rates. *See* Volatility
  - Constant terminal volatilities. *See* Volatility
  - Consumable real assets, 454–455
  - Consumable/transferable (C/T) assets, 9
  - Consumer Price Index (CPI), 480
    - comparison. *See* Gold conversion, 748–749
    - inflation measurement, 64
    - measures, 251–252
    - usage, 90
  - Consumer products, soft commodity, 706–709
  - Consumption
    - effect, 116
    - inventories, 116
    - value, 118
  - Contango (normal market), 18–22
    - contrast. *See* Backwardation
    - definition, 510n
    - dependence, 21
    - description, 790
    - display, 125–126
    - futures price, relationship, 20
    - market, 49
  - Continental gas, impact. *See* United Kingdom
  - Continuing Survey of Food Intakes by Individuals (CSFII), 885–886
  - Continuously compounded investment, progression, 150
  - Contract interrelationships, model, 346–352
  - Contract maturities
    - expected roll yield, 445
    - selection, 439–445
  - Convenience yield, 29
    - approximation, 135–136
    - correlation. *See* Inventory levels
    - distinction, 46
    - existence, 20
    - futures return, relationship (absence), 425
    - model, 113–114, 120–121
    - models, relationship. *See* Risk premiums
    - risk premiums, impact, 132
    - variation, 21
  - arbitrage-based valuation
    - concept, 114
    - derivation, 122
    - graphical relationship, 133e
  - impact. *See* Futures returns; Term structure
  - relationship. *See* Risk premium models
- Cooper, Michael, 943n
- Cootner, Paul, 21n, 56n, 59n, 258n, 393n, 407n
- Co-ownership, precious metal form, 696
- Copper, 702–703
  - cathodes, 702
  - characteristics, 782
  - judgment, 384
  - one-year LME convenience yield, warehouse stocks (correlation), 444e
  - prices, 793e, 801e
    - comparison, scatter graph. *See* Stocks
  - raw material, 702
  - spot/futures prices, 363e
  - spread. *See* Cash copper; Spot copper
  - spread/ratio, 799e

- Corn, 707  
 B&H strategy, 918  
 commodity, 864  
 example, 409–410  
 futures prices, 575e  
   NG futures prices, contrast, 412e  
   NG prices, contrast, 413e  
 milling, 872  
 price, 903  
 production, 707  
   forecasts, 575  
   spot prices, 575e  
 Corradi, Valentina, 586n  
 Correlated random numbers, generation, 347  
 Correlation, 214–215  
   coefficients, 106, 185.  
   *See also* Petroleum  
   computation, disadvantage, 93  
   consideration, 460–461  
   frowns, 593  
   negativity, reasons, 214  
 Correlation matrix, 34e.  
   *See also* Nominal liabilities  
   calculation. *See* Commodities  
   decomposition, 346–348  
   quarterly holding period, basis, 537e  
 Cost of carry, 115  
   formula, 121  
   incorporation, 372  
 Cost return, contrast. *See* Net proceeds  
 Cotton, 709–710  
   spot/futures prices, 363e  
 Coughenour, Jay F., 122n  
 Counterparty credit risk, 551  
 Country elevators, 865–866  
 Covariance matrix, usage, 544  
 CPI. *See* Consumer Price Index; Consumer price inflation  
 CPO. *See* Commodity pool operator  
 Crack spreads, 663n  
 CRB. *See* Commodity Research Bureau  
 Credit Agricole Structured Asset Management (CASAM)  
   CTA Asset Weighted Diversified Index, 295  
   database, 282–283  
   management, 268  
   indexes, 276  
 Credit risk  
   commodity price risk, proxy, 617e  
   securitization, 621e  
 Credit Suisse Hedge Fund Composite Index, 668  
   volatility/variance, 671  
 Credit Suisse/Tremont Managed Futures Index, 276  
 Credit Suisse/Tremont Managed Futures INVX Index, 276  
 Cremers, Jan-Heim, 508n  
 Cross-commodity correlation. *See* United Kingdom  
 Cross-commodity risk, quantification. *See* Futures contracts  
 Crude oil, 682–684  
   forward curve, 436  
   components, 348–349  
   simulation, sample, 354e  
   forward structure. *See* New York Mercantile Exchange  
   GSCI allocation, 509–510  
   prices relationship. *See* World sugar prices  
   returns, stocks (response), 85  
   roll returns, 231e  
   seasonal cycle, examination, 684  
   Sharpe oil, 927  
   spot returns, 231e  
   structure, power, 79  
   supply/demand imbalance, 53  
   time spreads, 663n  
   U.S. dollars, trading, 821  
 Crude oil futures, 231e  
   backwardated market, 52  
   contango market, 52e  
   contract, future value, 46  
   prices, 230e  
 CRY. *See* Commodity price index  
 CSCE. *See* Coffee, Sugar and Cocoa Exchange  
 CSFIL. *See* Continuing Survey of Food Intakes by Individuals  
 CSHF. *See* Credit Suisse Hedge Fund Composite Index  
 CSI. *See* Commodity stock index  
 CS/Tremont Hedge Fund Composite Index, 33  
 CS/Tremont Hedge Fund Index, 31  
 C/T. *See* Consumable/transferable  
 CTAs. *See* Commodity trading advisors  
 CTI physicals market factor exposure, 494e  
 Cuddington, John T., 358n, 366n  
 Culp, Christopher L., 144e  
 Cumby, Robert E., 374n  
 Cumby-Moest test, 374  
 Cumulative world silver production/distribution, 768e  
 Curran, Michael, 591n  
 Currencies, 43–45  
   arbitrage, 45e  
   demonstration, 44  
   CTAs, 289–292  
   indexes, excess return estimates, 292  
   indexes, performance/benchmark, 290e–291e  
   definition, 490  
   futures, 39  
   futures markets, trading, 274  
   hedge. *See* Gold  
 Cut-down rule, discussion, 156–157  
 Cut-down strategy. *See* Optimal cut-down strategy  
 CVaR. *See* Conditional Value-at-Risk  
 CXCI. *See* Deutsche Börse  
 CYM. *See* Convenience yield models  
 D  
 Daily gas/power returns, correlation. *See* United Kingdom  
 Daily log price returns, correlation matrix, 346–347  
 Damodaran, Aswath, 615n  
 Das, Satyajit, 614n, 615n

- Daskalakis, George, 858n  
 Data mining, 402  
 Data snooping, 943–944  
   occurrence, 944  
   problem, approaches, 946  
 Data snooping-adjusted  
   *p*-values, 946  
 Davidson, Sinclair, 727n  
 Day, Theodore E., 942n  
 Day-ahead gas, power prices  
   (relationship). *See*  
   United Kingdom  
 Day ahead *versus* real time,  
 663n  
 DBC. *See* Deutsche Bank  
   Commodity Index  
 DBLCI. *See* Deutsche Bank  
   Liquid Commodity  
   Index  
 DBLCI-MR. *See* Deutsche  
   Bank Liquid  
   Commodity Index–  
   Mean Reversion  
 DBLCI-OY. *See* Deutsche  
   Bank Liquid  
   Commodity Index–  
   Optimum Yield  
 DC. *See* Down closes  
 Dead CTAs, statistics, 652e  
 Deaves, Richard, 258n  
 De Chiara, Adam, 23n  
 Decorrelation curve. *See*  
   United Kingdom  
 Dedicated energy hedge  
   funds, classification,  
   662e  
 Deep geothermic heat, 693  
 Default risk premium. *See*  
   Gold  
 Default spread, 538  
 de Jong, Cyriel, 848n  
 Delbaen, Freddy, 471n,  
 473n  
 Delevered returns, hedge  
   fund strategy, 417e  
 Delivery claim, precious  
   metal form, 695  
 De Long, J. Bradford, 936  
 Demand  
   changes, short-run/long-  
   run responses, 106e  
   destruction, occurrence.  
   *See* United Kingdom  
 Deng, Shi-Jie, 597n  
 Denson, Edwin, 93n  
 Denton, Frank T., 943n  
 Dependence structure. *See*  
   Bonds; Stocks  
 De Roon, Frans A., 114n,  
 245n, 259n, 522n,  
 534n, 542n  
 Descriptive statistics,  
   quarterly holding  
   period (basis), 537e  
 Deutsche Bank Commodity  
   Index (DBC) Tracking  
   Fund, 567e  
 Deutsche Bank Liquid  
   Commodity Index  
   (DBLCI), 171–172,  
   194, 246, 426  
   investable commodity  
   index, 556e  
   offering, 465  
 Deutsche Bank Liquid  
   Commodity Index–  
   Mean Reversion  
   (DBLCI-MR), 246,  
   248, 250, 557  
 Deutsche Bank Liquid  
   Commodity Index–  
   Optimum Yield  
   (DBLCI-OY), 246–  
   250  
   asset-specific risk return  
   relation, 255  
   monthly excess returns,  
   262e  
   regression output, 264e  
   usage. *See* Excess return  
 Deutsche Börse (CXCI), 172,  
 175–176  
 Deutsche mark futures,  
   inputs, 927–928  
 Deviations, absence, 180  
 de Vries Robbe, Jan Job,  
 613n, 617n, 620n,  
 622n, 623n, 625n  
 Dewbrey, Daryl, 549n  
 DGCX. *See* Dubai Gold and  
   Commodity Exchange  
 Dimson, Elroy, 939n  
 Dincerler, Canekin, 441n  
 Direct cash investment, 550–  
 552  
 Directional accuracy  
   measure, 374–375  
   relevance. *See*  
   Commodities  
 Directional parabolic,  
 925  
 Directional price movement  
   (velocity), momentum  
   oscillator (usage),  
   915  
 Direct metal investment,  
   achievement, 795  
 Direct transaction costs,  
   variation, 439n  
 Discretionary CTAs,  
 298  
   indexes, performance/  
   benchmark  
   comparisons, 299e–  
   300e  
 Distributions  
   downside risk, 471–472  
   excess kurtosis, presence/  
   absence, 460e  
 Dittmar, Rob, 929n  
 Diverged power-gas/power-  
   coal spreads,  
   convergence, 836e  
 Diversification  
   equation, 260  
   properties. *See* Gold  
 Diversification return, 209–  
 214  
   drivers, 213e  
   mechanics, 212e  
 Diversified CTAs, 295–298  
   average manager  
   level comparison,  
   306  
   average performance/  
   benchmark  
   comparison, 307e–  
   308e  
   indexes, performance/  
   benchmark, 296e–  
   297e  
 Diversified futures markets,  
   trading, 274  
 Dividend rate, subtraction,  
 42  
 Diz, Fernando, 650n, 651n  
 DJAC. *See* Dow Jones-AIG  
   Commodity Index  
 DJAIG. *See* Dow Jones-  
   American  
   International Group  
 DJ-AIGCI. *See* Dow Jones-  
   AIG Commodity  
   Index  
 Domestic large-cap company,  
   small-cap/startup  
   company (trade-offs),  
   562  
 Donchian, Richard D., 393n,  
 915n, 918n  
 Double-jump processes,  
 583  
 Dowd, Kevin, 723n  
 Dow Jones-AIG Commodity  
   Index (DJ-AIGCI), 13,  
 205n, 426, 669

- Dow Jones-AIG Commodity Index (*Continued*)  
 average annualized spot/roll/collateral/total return, 233e  
 excess return, monthly index data, 232  
 investable commodity index, 556e  
 offering, 464–465  
 performance, 232e  
 spot return index, monthly index data, 232  
 total return index, 227  
 monthly index data, 232  
 performance, comparison, 233  
 weighting scheme, 232n
- Dow Jones-American International Group (DJAIG)  
 commodity index  
 calculation, 172, 174  
 goal, 465n  
 introduction, 486
- Dow Jones Indexes, 461n
- Dow Jones Industrial Average (DJIA)  
 (technical trading returns), non-synchronous trading (impact), 942
- Dow Jones Industrials Stock Index, futures contracts, 42
- Down closes (DC), 916. *See also* Average down closes
- Downside risk, reduction. *See* Portfolio
- Doyle, Emmet, 13n
- Draper, Paul, 722n, 725n
- Drift, adjustment, 588
- Dual Moving Average Crossover, 914, 925  
 definitions, 914  
 system, parameters, 913, 914  
 trading rules, 914
- Dubai Gold and Commodity Exchange (DGCX), 720
- Duffie, Darrell, 584n
- Dupire, Bruno, 344n
- Durrleman, Valdo, 593n
- Dusak, Katherine, 39n, 57n, 424n
- E
- Eagleeye, Joseph, 21n, 215n, 432n, 448n, 457n, 542n
- Easley, David, 934n
- Eber, Jean-Marc, 471n, 473n
- ECM. *See* Error-correction model
- Economic cycles, 448e
- Economic/political convergence, 3–4
- ECOs. *See* Equity collateralized obligations
- Edwards, Franklin R., 16n, 58n, 463n, 483n, 630n
- EEX. *See* European Energy Exchange
- EFET. *See* European Federation of Energy Traders
- Efficiency tests, requirement, 372n
- Efficient, term (usage), 911–912
- Efficient commodity portfolios, derivation, 469–472
- Efficient frontiers. *See* Bonds; Stocks  
 data set, analysis, 467  
 usage, 465  
 expected return, increase, 477e
- Efficient market hypothesis, 911–912  
 implication, 912  
 subdivision, 912
- EGARCH. *See* Exponential Generalized Autoregressive Conditional Heteroskedasticity
- Egelkraut, Thorsten M., 63n
- Ehrlich, Paul, 776
- Eibl, Christoph, 434n, 439n
- Eicker-Wolf, Kai, 164n
- Eigen decomposition, 347–348
- Eight-quarter horizon  
 forecast performance, 385e–387e
- Eight-quarter horizon, futures (incorporation), 384
- Einstein, Albert, 688
- Ekeland, Lars, 597n
- Ekström, Clas, 855n
- Electricity, 577, 579  
 average hourly total import capacity NTC, 806e  
 base block, 808  
 bid-ask spread, 811  
 commodity peculiarity, 804  
 contracts, backwardation, 812–813  
 day-ahead consumption, 808  
 day-ahead delivery, base/peak, 809  
 demand curve, forecast, 822  
 demand quantities, simulations, 607e  
 equilibrium forward price, 609–610  
 exchanges, 805–806  
 expected demand, 822  
 forward curve, 822–823  
 forward markets, 808, 811–815  
 mid-term price expectation, 816–817  
 price spikes, 816  
 forward price determination, 603–606  
 equilibrium, 605–606  
 spot price, comparison, 608  
 tractable approximation, 606  
 forward pricing, 599–606  
 forwards, pricing, 596  
 fuel markets, 820–821  
 futures/spot prices, 578e  
 futures term structure, 579e  
 gate closure, market price, 833  
 hard coal price, impact, 820  
 hedging, 821–824  
 international exchange, growth, 818  
 market assumptions, 600e  
 price, factors, 815–821  
 market participants, trading, 807–808  
 marketplaces. *See* Europe  
 market price, calculation, 812  
 maximum price, existence, 815–817

- month contracts, future price, 814e  
 month value, calculation, 823  
 nonleap year, impact, 812e  
 numerical application, 606–609  
   input parameters, 606e  
   oil power plants, role, 821  
   options, 823  
   quotes, 824e  
   OTC market, 806–808  
   peak block, 808  
   price/availability, 778  
   prices  
     driver, economic growth, 815  
     movements, weather changes (impact), 809, 811  
     risk, hedging, 601  
     volatility, 596–597  
   producers, uncertainty, 603–604  
   quantity, determination, 602  
   quarter contracts, future price, 814e  
   rainfalls, bearish signals, 819  
   retailers, uncertainty, 600  
   risk/expected return profile, 604  
     retailer optimization, 605  
   schedule, 813  
   seasonality, 817  
   skewness, calculation, 609–610  
   snowfalls, impact, 819  
   special events, forecast, 816n  
   spot markets, 808–811  
   swing options, 824  
   total costs functions, 602e  
   traded futures, 812  
   trading. *See* European Union  
   uranium prices, impact, 820  
   variables, 601  
   variance, 604  
     equations, 609–612  
   weather, impact, 818–820  
   weekend/holiday operation, 817–818  
   wholesale market, international characteristic, 805
- wholesale price  
   determination, 601–603  
   distribution, determination, 607–608  
   year contracts, future price, 815e  
 Electric power production, 688–689  
 Eling, Martin, 631n  
 Elton, Edwin J., 58n, 483n  
 Embrechts, Paul, 471  
 Emissions allowances. *See* European Union  
 Enders, Walter, 101n  
 Energy  
   alternatives, 687–695  
   commodities subgroup, consideration, 456n  
   contracts, 572  
   ETFs, usage, 662  
   exchanges, importance (increase), 597  
   funds of hedge funds, 663–664  
   hard commodity, 681–695  
   markets  
     GSCI allocation, 509–510  
     stock developments/term structure  
     synchronization, 444–445  
   options, exchange trading (increase), 572  
   securities, 663n  
   spread options trading volume, 573e  
   trading strategies, 663n  
 Energy contracts (forward curves),  
   backwardation/  
   contango  
   (conversion), 449  
 Energy Hedge Fund Center, 660n  
 Energy hedge funds, 661–663  
   assets under management (AuM), examination, 666  
   beta exposure, 496  
   characteristics, 666–668  
   classification. *See* Dedicated energy hedge funds  
   correlations, 674e  
   index perspective, 669–673
- market factor exposure, 497e  
 performance persistence, 676e  
 perspective, 673–677  
 risk/return characteristics, 668–677  
   dispersion, 678e  
   ranking, 670e  
   risks, 664–666  
   rolling Sharpe ratio, 672e  
   specialization, 494–496  
   standard deviation (SD), 666  
 Energy industry, data acquisition (difficulty), 347  
 Energy-related products, importance (increase), 597  
 Engle, Robert F., 372n, 386n  
 Enqvist, Per-Anders, 855n  
 Entry thresholds (ET), 916  
 Equally weighted (EW) buy-and-hold portfolio, 207–208  
 Equal weighting, contrast. *See* Asset weighting  
 Equilibrium model, proposal, 935  
 Equity  
   definition, 490  
   derivatives, entry, 562, 565  
   diversification, example, 418  
   indexes, 513–517  
   prices, rolling correlation. *See* Commodities  
   returns, average returns, 456  
   total return swaps, entry, 562, 565  
 Equity collateralized obligations (ECOs), 617n  
 Equity futures markets, trading, 274  
 ER. *See* Excess return  
 Erb, Claude, 10n, 20n, 23n, 28n, 61n, 67n, 78n, 83n, 84n, 138n, 171n, 188n, 206n, 208n, 209n, 213n, 228n, 255n, 425n, 448n, 455n, 461n, 523n, 529n, 542n, 545n

- Error-correction model (ECM)  
 forecasts  
 generation. *See* Quarterly ECM  
 forecasts  
 outperformance, 384  
 usage, 372  
 Estimation bias, 101  
 Estimation results, 925  
 ET. *See* Entry thresholds  
 Ethanol, 901–904  
 importance, 903  
 ETNs. *See* Exchange-traded notes  
 ETS. *See* European Trading Scheme  
 Europa-Rapid-Press Releases, 894e  
 Europe, electricity  
 marketplaces, 804–808  
 European Energy Exchange (EEX), 803  
 auction result, 809  
 daily spot prices, 816e  
 futures  
 prices, 813e  
 trading, 811e  
 ranking, 807e  
 spot auctions, result, 810e  
 spot market prices, 818e  
 European Federation of Energy Traders (EFET), 596, 803  
 master agreement, 807  
 web site, master agreement information, 849n  
 European options, 588  
 price, jump diffusion process (usage), 588  
 European registries, Internet links, 847e  
 European spread options, price (first analytic approximation), 592  
 European Trading Scheme (ETS) CO<sub>2</sub> prices, 834  
 European Union  
 annual hydrocarbon production, 853e  
 electricity trading, 803  
 sugar producer, ranking, 893  
 European Union, emissions trading, 844  
 active risk management companies, 849  
 allocation information, EU trading sectors, 856  
 allowances  
 calculation, spot prices (usage), 859e  
 factor, dominance, 854  
 market, products (offering), 857–860  
 operational trading, 848–861  
 background, 844–848  
 clean development mechanism (CDM) project, 859  
 emissions allowances, 846–848  
 market, influence factors/weights (Société Générale usage), 860e  
 operational trading, 848  
 options market, 858  
 price quotes, 852e, 861e  
 emissions inventory, publication, 856  
 emissions trading directive, approval, 852  
 historical volatility, 859e  
 market development, 860–861  
 OTC market, 849–850  
 price driver, 855  
 price history/formation, 851–853  
 project-based mechanisms, 859  
 scheme, predecessors, 847–848  
 spot/forward prices, relationship, 851  
 spot/forward products, 857–858  
 spot market trades, 848  
 European Union Emissions Trading System, 844–845  
 EURO STOXX 50  
 direct purchase/sale, impossibility, 598  
 futures contracts, pricing, 598e  
 Eurozone  
 gold, correlation, 753–756  
 gold returns/correlation/volatility, 754e  
 yearly returns, 755e, 756e  
 Eventful periods, examples, 414e  
 Event risks, measurement, 325–326  
 EW. *See* Equally weighted  
 Ewing, Bradley T., 833n  
 EWMA. *See* Exponentially weighted moving average  
 Ex ante monetary policy indicator, usage, 77  
 Excel, usage. *See* Asset spanning regression  
 Excess kurtosis  
 increase, 507  
 level, impact, 467  
 modeling. *See* Volatility presence/absence. *See* Distributions  
 Excess return (ER), 229  
 calculation, 27  
 conditional nature (capture), DBLCI-OY (usage), 259  
 correlations, 216e–217e  
 index, 27, 206n, 464  
 roll return, contrast. *See* Commodity futures  
 spot return/roll return, sum, 209–211  
 starting point, 427n  
 Exchange elevators, 867  
 Exchange market data, independent market data (contrast), 324e  
 Exchange rates  
 impact. *See* Commodity returns  
 movements  
 contrast, 111–112  
 initiation, 105n  
 relationship. *See* Commodities  
 Exchange-traded commodity options, American options (similarity), 589  
 Exchange-traded forwards, 626  
 Exchange-traded funds (ETFs), 13, 228, 487. *See also* Commodities-linked ETFs; Commodities-related ETFs; Gold  
 advantages, 565–568  
 trading/transaction costs, ease, 566–567  
 usage. *See* Energy  
 Exchange-traded notes (ETNs), 566

- Execution costs, 941  
 Expected returns  
   differences, 545–546  
   models, 28–30  
   robustness analysis, 545e  
 Expected seasonal price  
   behavior. *See* Seasonal price behavior  
 Explicit production function, knowledge, 154  
 Exponential Generalized Autoregressive Conditional Heteroskedasticity (EGARCH) model, 928  
 Exponentially weighted moving average (EWMA), 395n  
 Export elevators, 867–868  
 Extraction  
   action, 779  
   process. *See* Base metals  
 Exxon, risk transfer, 48  
 ExxonMobil, crude oil (nondiversified exposure), 50–51
- F**  
 Fabozzi, Frank J., 473n  
 Factor notation, 198–199  
 Faff, Robert, 722n, 725n, 727n  
 Fama, Eugene F., 25n, 59n, 60n, 71n, 80n, 108n, 122n, 134n, 209n, 393n, 435n, 457n, 910n, 911n  
 Farrow operations. *See* Hogs  
 Fat tails, 192, 841  
   exhibition, 469  
 Faustmann, Martin, 133n  
   reasoning, 160n  
   solution, 156–157  
   value, price (equivalence), 164–165  
   woodland value, 160  
 Faustmann capital value, 153–154  
 Faustmann rotation, substitution, 159–160  
 Federal Reserve Act, 506  
 Federal Reserve Bank (Fed)  
   funds increase, interpretation, 77  
   index, 106n  
   rate, comparison. *See* Inflation  
 Feedback models, usage, 936
- Feedback traders, 935  
 Feeder Cattle, 710  
 Feldman, Barry, 20n, 434n, 441n  
 Ferguson, Kathleen W., 507n, 508n  
 Fernando, Chitru S., 615n  
 Fernholz, Robert, 259n  
 Ferson, Wayne E., 538n  
 Feudalism, progression, 159–162  
 FFV. *See* Flex-fuel vehicle  
 Filter rule. *See* Alexander's Filter Rule  
 Financial assets  
   arbitrage, 41e  
   futures contracts, 41  
   holding, investment purposes, 204  
   income payment, 42  
   prices, comparison. *See* Financial assets  
   returns, statistical properties, 228  
   storage, 204  
 Financial CTAs, 292–295  
   average manager level comparison, 305  
   average performance portfolio level comparison, 304e–305e  
   indexes, performance/benchmark, 293e–294e  
 Financial futures, 39–43  
   expression, 123  
 Financial futures contracts, 926  
 Financial futures markets, trading, 274  
 Financial ratios, market environment impact (analysis), 640  
 Financial resources, absence (impact), 315  
 FINEX division. *See* New York Board of Trade  
 Finizza, Albert, 373n  
 Finnerty, John D., 615n  
 Finnerty, Joseph E., 68n  
 First derivative yields, 147  
 Fisher, Irving, 152n  
   rules, 152  
 Fitch Ratings, 614n, 617n, 620n, 623n  
 Fixed length moving averages (FMAs), 399  
 Flannery, Brian, 341n, 342n
- Flex-fuel vehicle (FFV), 904  
 Floating strike option, 574  
 Flour milling, 871–872  
 FMAs. *See* Fixed length moving averages  
 Food products, soft commodity, 706–709  
 Force majeure, 806–807, 848–849  
 Forecasting methodology, ability, 359n  
 Forecasting models, 370–373  
   alternative, 370  
 Forecast performance, assessment, 373–376  
 Forecasts, performance (examination), 365  
 Forestry  
   capital management, 151–154  
   examination, 162–164  
   production efficiency, 163  
   simple problems. *See* Optimal forestry  
 Fortenberry, T. Randall, 64n  
 Forward, Paul, 445n  
 Forward contracts, 550–551  
 Forward curve  
   components. *See* Commodities; Crude oil; Natural gas; New York Mercantile Exchange  
   front months, 337  
   models, 587  
 Forward position, margin requirements, 336  
 Forward prices  
   modeling, 336–338  
   movements, risk assessment, 335–336  
   simulation, 353  
   spot price, excess, 456n  
   volatility, 338–339  
   term structure, 337–338  
 Forward pricing, 598–599  
 Forward products, usage, 809n  
 Forward strategies, 333e  
 Forward volatility. *See* Local volatility  
   time varying model, 338–346  
 Fossil energies, 682–687  
 Fossil resources, limitations, 682  
 Four-quarter horizon  
   forecast performance, 382e–383e  
   judgmental forecasts, 384

- Fourth central moment, 459–460
- Frac spreads, 663n
- France, emissions allowances (banking), 857n
- Frankel, Jeffrey A., 74n, 98n, 100n, 104n
- Frankel, Tamar, 624n
- Free metal, 791
- French, Kenneth R., 59n, 60n, 71n, 80n, 108n, 122n, 125n, 134n, 435n, 457n
- Data Library, data source, 246n
- Fritts, Charles, 688
- Froot, Kenneth A., 5n, 89n, 462n, 483n, 523n, 619n, 936n
- Frost, Peter A., 628n
- Frowns. *See* Correlation
- FTSE Goldmines, 12
- FTSE/NAREIT Real Estate Index, 31
- FTSE World Mining, 12
- FTSE World Oil, 12
- Fuel
- markets. *See* Electricity price/availability, 779
- switch, CO<sub>2</sub> abatement option, 854–855
- Fuel cell technology, 694–695
- Full finance, 790
- Fundamental operational risk management, 665–666
- Fundamental risk, 936
- Fund management structure, 314–315
- Fung, William, 394n, 489n, 626n, 629n, 643n, 650n, 651n, 669n, 910n
- Fusaro, Peter C., 660n, 662n, 664n
- Future cash flows, long-term expectations, 71
- Future curve, backwardation, 448
- Future dividends (present value decrease), inflation (impact), 218
- Future profit. *See* Maximum future profit
- computation, 151
- independence, 153
- Futures
- complexity, 20
- market participants, 5–6
- margin posting, requirement, 553–554
- options, 554–555
- prices (term structure), information content (usage), 222–223
- program, leverage level (selection), 416–417
- trader, experience, 555
- trading, 553–554
- Futures-based forecasts, 377
- Futures contracts, 551–552
- buy/sell agreement, 599n
- portfolios
- cross-commodity risk quantification, 335
- hedging, example, 352–357
- pricing. *See* EURO STOXX 50
- rolling, 17
- seller obligation, 39
- Futures exchanges, contract purchase, 552
- specifications, 16–17
- Futures prices
- change/fluctuation, 129–130, 360, 362
- contracts, total returns (impact), 493
- correlation, 362e
- fair value relationship. *See* Spot prices
- forecast horizon, matching, 379n
- processes, comparison, 580
- random walk, assumptions, 339–340
- single-factor models, 587
- spot prices, relationship, 39–47
- variability, 361n
- volatility, 337
- Futures returns, 128–133, 229
- convenience yield model, impact, 129–130
- determinants, 425
- relationship, 130–131
- risk premium model, impact, 128–129
- roll returns, empirical relationship, 138
- time series, computation, 230
- volatilities, 137e
- G
- G8-peak, 692
- Gaivoronski, Alexei A., 472n
- Gamma, measurement, 320
- GAPs. *See* Gold
- accumulation plans
- GARCH. *See* Generalized Autoregressive Conditional Heteroskedasticity
- Garcia, Philip, 59n, 63n
- Gaseous biomass, 692–693
- Gas forward price, seasonality. *See* United Kingdom
- Gas oil, 136
- Gas-to-liquids, technical method, 685
- Gauss-Newton hill-climbing methodology, 341–342
- Gavin, William T., 98n
- Gay, Gerald D., 68n
- GBM. *See* Geometric Brownian motion
- GDP. *See* Gross Domestic Product
- Gehrig, Thomas, 947n
- Geman, Hélyette, 11n, 20n, 456n, 457n, 463n, 465n, 841n
- Generalized Autoregressive Conditional Heteroskedasticity (GARCH), 585–587, 928
- models, 373
- continuous limit, 586–587
- fitting, 339
- usage. *See* Asymmetric GARCH model
- process, 586
- Genetic programming
- application. *See* Technical trading rules
- consideration, 946n
- definition, 929
- features, 929
- Geometric Brownian motion (GBM), 580–581
- dynamics, 588
- limitations, 582–583
- Georgiev, Georgi, 11n, 84n, 269n, 276n, 279n, 619n
- Geothermic heat, 693–694. *See also* Deep

- geothermic heat; Surface-near geothermic heat
- Gerlow, Mary E., 365n, 373n, 927n
- German EEX, spot/futures quotes (publication), 850n
- Getmansky, Mila, 493n
- Ghosh, Dipak, 723n
- Gibson, Rajna, 581n, 597n
- Global CO<sub>2</sub> emissions, 845e
- Globalization, impact, 3–4
- Global Property Research (GPR), General Property Share Index (PSI), 629, 637
- Global search algorithm, iterations, 342
- Goetzmann, William N., 650n, 656n
- Gold, 696–698
  - accounts, 718
  - asset demand, 738
  - attributes, 750–751
  - bond/equity markets, rolling correlations, 753e
    - U.S. monthly returns, 758e
  - certificates, 718
  - commodity futures indexes, relationship, 732–733
  - convenience value, 731
  - convenience yield, 740–741
  - correlation. *See* Assets; Eurozone
  - currency hedge, 727–728
  - default risk premium, 740
  - demand. *See* Short-run gold demand
  - demand side, 738
  - diversification properties, 730–731
  - ETFs, 718–719
  - exchanges, 719–720
  - fixing process, 721–722
  - forward contracts, 717
  - forward price, calculation, 751
  - fundamentals, 715–716
  - future, prediction, 733–734
  - futures, 717
    - instrument, introduction. *See* New York Commodity Exchange
  - hedging instrument, 726
  - impact. *See* Portfolio inflation hedge, 728–729, 739
    - price, 739, 749
    - propensity, 729
  - instruments, 719–722
  - investment
    - asset, guide, 712
    - products, 717–719
    - properties, 730–731
  - lease rate, 740, 743–744
    - price movement, comparison, 745
  - long-run determinants, 739
  - long-run price, 739
  - long-run price determinants, 747–750
  - long-term effects, 736
  - markets, 719
    - consideration, 731
    - investment, 719–722
    - mining, 697–698
    - stocks, investment, 732
    - stocks/funds, 719
  - monetary properties, 696–697
  - monetary standard, 713–714
  - options, 717–718
  - OTC market, 719–720
    - operation, 721
  - physical interest rate, 744
  - portfolio constituent, 751–761
  - price-determining mechanism, 737
  - prices, 737e. *See also* Lagged gold price correlations. *See* Stocks
  - Euros, equivalence, 749e, 750e
  - Eurozone CPI, comparison, 749e
  - Eurozone inflation, comparison, 750e
  - factors, 737–751
  - gold lease rate, comparison, 744e
  - properties, 722–725
  - relationship. *See* Inflation
  - research, 724–725
  - U.S. CPI, comparison, 748e
  - U.S. inflation rate, comparison, 743e
  - USD/EUR exchange rate, comparison, 742e
  - world GDP, comparison, 741e, 742e
- pricing dynamics, 722–734
- producers, profit-maximizing behavior, 748
- producing stocks, selection, 731–732
- real asset, 747
- real lease rate, 743–744
- research, summary, 733
- reserve asset, 714–715
- return
  - Euros/U.S. dollar, 752e
  - properties, 722–725
  - S&P500 Index, rolling correlation, 730e
- safe haven, viewpoint, 722–723
- short-run determinants, 739
- short-run price, 739
- short-run price determinants, 740–747
- short-term asset demand, 741
- short-term effects, 736
- silver, correlation, 699–700
- standard, 713–714
- state variables, hedging proxy, 726–727
- stocks, 750n
- strategic assets, 725–726
- structured notes, 719
- supply. *See* Short-run gold supply
  - deficit, 737–738
  - tactical play, 725–726
- trading. *See* Physical gold types, 697
- U.S. dollar
  - price, inflation hedge requirement, 729e
  - returns, 756–761
- U.S. yearly returns, 759e–761e
- uses, 713–715
- warrants, 718
- Gold accumulation plans (GAPs), 718

- Goldfield, Quant, and Trotter  
hill-climbing  
methodology, 341–  
432
- Goldfield, Stephen, 341n
- Gold futures (buy/sell signals  
generation), moving  
averages (usage), 397e
- Gold-linked bonds, 719
- Goldman Sachs Commodity  
Index (GSCI), 13, 205  
addition, 82–83  
aggregate index, 69  
Agricultural Sub-Index,  
560e  
basis. *See* Commodity  
futures  
CISDM, correlation, 517  
commodity excess return  
index, 94–95  
commodity indexes, 509–  
513  
comparison. *See* U.S.  
equities  
economic-production-  
weighted index,  
publication, 61n  
Energy Index, 27  
energy investment, 30–31  
excess return, 260  
indexes, usage, 89–90  
Excess Return Index, 510–  
511  
financial assets,  
performance  
comparison, 31e  
futures contract, similarity,  
514n  
HFRI Index, comparison,  
518  
histories, 171  
impact. *See* Sharpe ratio  
indexes  
metrics, 512e–513e  
NAV, 514e  
index weighting, 172e  
information source, 246n  
introduction, 482–483  
investable commodity  
index, 556e  
momentum effects, 85  
momentum returns, 221e  
offering, 464–465  
optimization, indexes  
(usage), 509–517  
performance, impact, 66  
returns, 64  
sample, usage, 505  
Spot Index, 510–511  
subindexes, 22  
term structure strategy,  
223e  
total return index, 486  
Total Return (TR)  
Index, 510–511  
value, contrast, 559e  
track record, 486
- Goldman Sachs Commodity  
Spot Energy Index  
(GSEN), 668–669
- Goldman Sachs Commodity  
Spot Index (GSCS),  
668
- Goldman Sachs composite  
index, production-  
weighted index, 90n
- Goldman Sachs subindexes,  
return components,  
26e
- Gold silver platinum mining  
companies (XAU)  
index, 496n
- Good, Dareel L., 360n
- Gorton, Gary, 12n, 30n, 33n,  
60n, 63n, 68n, 69n,  
71n, 72n, 80n, 83n,  
89n, 132n, 188n,  
205n, 208n, 213n,  
214n, 228n, 229n,  
241n, 256n, 424n,  
434n, 446n, 456n,  
467n, 506n, 515n,  
523n, 529n, 556n
- Goss, Barry A., 364n
- Government bond yield, 538
- CPR. *See* Global Property  
Research
- Grain, 863–878  
contract cancellations, 869  
country elevators, 865–866  
credit, 868–869  
demand, 873  
elevator operations, risks  
(summary), 870–871  
exchange elevators, 867  
export elevators, 867–868  
forward bid, taking, 877  
futures price, localizing,  
876  
inland transportation,  
coordination, 870  
long hedge, 878  
markets, USDA monthly  
report, 441  
merchandising, 868  
milling firms, business  
(booking), 871–872  
pricing. *See* Physical grain  
processors, 871–872  
risks, 872–874  
summary, 870–871  
river elevators, 866–867  
storage, 865–868  
risk, 866  
subterminal elevators,  
866–867  
supply, 873–874  
terminal elevators, 866–  
867  
trades, example, 407–408  
trading, 874–878  
transaction, hedging, 874–  
875  
transportation, 869–870  
Granger, Clive W.J., 372n,  
912n, 939n
- Granules, precious metal  
ferri-, 695
- Grauer, Frederick L.A., 80n
- Gray, Roger W., 393n
- Great Depression, New Deal  
(impact), 445–446
- Greeks, measurement/  
monitoring. *See*  
Options
- Greene, William, 347n
- Green hedge funds, 661
- Greenspan, Alan, 714
- Greer, Robert J., 9n, 23n,  
25n, 30n, 57n, 67n,  
89n, 93n, 97n, 244n,  
424n, 457n, 483n,  
506n, 515n
- Greer, Thomas V., 942n
- Gregoriou, Greg N., 626n,  
628n, 650n, 654n,  
669n
- Grid pricing. *See* Cattle
- Griffin, Dale, 403n
- Griffin, James M., 835n
- Griffioen, Gerwin, 928n
- Grilli, Enzo, 556n
- Grinold, Richard C., 423n
- Gross Domestic Product. *See*  
Seasonally adjusted  
GDP
- Gross Domestic Product  
(GDP)  
changes, correlation, 72e
- Grossman, Sanford J.,  
934n
- Gruber, Martin J., 58n, 483n
- Grundy, Bruce D., 934n
- GSCI, 175–176
- GSCS. *See* Goldman Sachs  
Commodity Spot  
Index

- GSEN. *See* Goldman Sachs Commodity Spot Energy Index
- Guimaraes, Rui M.C., 926n
- Gulen, Huseyin, 943n
- Gunzberg, Jodie, 664n
- H
- Hahn, Otto, 686
- Hall, Bronwyn H., 342n
- Hall, Robert E., 342n
- Hamilton, James, 337n
- Hamm, Lonnie, 927n
- Hard commodities, 6–7, 681, 695. *See also* Energy; Metals  
assets, consideration, 454–455
- Harding, Don, 374n
- Harding-Pagan statistic, differences, 376
- Harding-Pagan test, 374
- Hard red spring (HRS) wheat, 874
- Hard red winter (HRW) wheat, 874  
inputs, 927–928
- Harmston, Stephen, 728n
- Harris, Chris, 789n
- Harris, Milton, 939n
- Harvey, Campbell R., 10n, 20n, 23n, 28n, 61n, 67n, 78n, 83n, 84n, 138n, 171n, 188n, 206n, 208n, 209n, 213n, 228n, 255n, 425n, 448n, 455n, 461n, 509n, 523n, 529n, 542n, 545n
- Hauge, Ragnar, 597n
- Hauser, Robert J., 64n
- Hausman, Jerry A., 342n
- Hazard functions, estimation, 655e
- Heaney, Richard, 117n, 372n, 440n
- Heaney model, usage, 372–373
- Heap, Alan, 4n
- Heath, David, 471n, 473n, 587n
- Heath-Jarrow-Morton (HJM) model, 587
- Heating oil, diversification return, 212e
- Heat rates, 663n
- Hectare profit (HG), 161–162
- HedgeFund.net database, 666n
- HedgeFund.net Energy Sector Average Index (HNES), 668, 671  
downside/upside correlation, 673  
maximum drawdown, 671  
rolling correlations, 675e  
snail trail, 672e
- Hedge fund manager  
net cash payout, 41  
strategy, 40–41
- Hedge Fund Research, hedge funds (number), 567–568
- Hedge funds  
active investing, 567–568  
characteristics, 667e, 668e  
diversification, example, 420  
embedded commodity exposure, estimates, 495e  
increase, 940  
indexes, 513–517  
operational questions, 665–666  
returns, correlations (empirical evidence), 643  
role, 479  
Sharpe ratio, change, 421e  
specialization. *See* Energy hedge funds  
strategy, risk, 662–663  
survey, 315
- Hedgers, 5, 6
- Hedging considerations, 353
- Hedging pressure hypothesis, 29  
reasons, 258n
- Heidorn, Thomas, 669n
- Helg, Rodolfo, 366n
- Hellwig, Martin, 934n
- Helmedag, Fritz, 164n
- Hensel, Chris R., 23n, 26n, 68n, 89n, 527n, 619n
- HEP. *See* High Extreme Point
- Herding models, 936–937
- Heston, Steven L., 584n
- Heston model, nonzero price-volatility correlation, 584
- Heterogeneity indicator, 188
- Heterogeneous indexes, solution, 197–200
- Heteroskedasticity, White adjustment (application), 376n
- HFN energy hedge fund index, 491
- HFRI Fund of Fund Index comparison. *See* Goldman Sachs Commodity Index  
components, 513n  
total return, 516
- HG. *See* Hectare profit
- Hicks, John R., 430n
- High-dimension nonlinear price series, simulation, 937
- Higher moments, 458  
impact, 457
- High Extreme Point (HEP), 917
- High-low moving averages (HLMAs), 400
- Hill, Jonathan, 13n
- Hill-climbing methodologies, 341–342
- Hillier, David, 722n, 725n, 727n
- Hipold, Claus, 663n
- Hindsight bias, adjustment, 426
- Hirshleifer, David A., 403n
- Historical CTA returns, 632–646
- Historical data (analysis), computer-based mathematical models (development), 391
- Historical excess returns, 207e
- Historical price behavior, 574–579
- Historical returns, 204–209
- Historical risk premium. *See* Commodity futures
- HJM. *See* Heath-Jarrow-Morton
- HLMAs. *See* High-low moving averages
- HNES. *See* HedgeFund Energy Sector Average Index
- Hoevenaars, Roy P.M.M., 523n
- Hogs, 883–887  
cost-plus agreements, 865  
cost-plus pricing, impact, 884–885  
demand, 885–886  
farrow-to-finish operations, 883–884  
farrow-to-nursery operations, 883

- Hogs (*Continued*)  
 farrow-to-wean operations, 883  
 market readiness, 883  
 price window agreements, 865  
 pricing, 884  
 raising, process, 883–884  
 supply, 886  
 trading, 886–887
- Holding period  
 correlation matrix, 528e  
 descriptive statistics, 528e
- Hollander, Myles, 180n  
 Holt, Matthew T., 364n  
 Hommes, Cars, 928n  
 Homogeneity, degree, 185, 188
- Hoppe, Christian, 669n  
 Hotelling, Harold, 789n  
 Houthakker, Hendrik S., 393n, 918n
- HRS. *See* Hard red spring  
 HRW. *See* Hard red winter
- HSBC Global Mining, 12  
 Hsieh, David A., 394n, 489n, 627n, 629n, 643n, 650n, 651n, 669n, 910n
- Huberman, Gur, 524n, 533n  
 Hübner, Georges, 627n, 650n, 654n
- Hull, John C., 584n, 598n  
 Humphreys, H. Brett, 434n  
 Hunt brothers, silver accumulation, 505–506, 769
- Hurricane Katrina, impact, 51. *See also* Refinery capacity
- Hydroelectric production, precipitation (factor), 853–854
- I
- IAEO. *See* International Atomic Energy Organization
- Ibbotson, Roger, 527n  
 IBRD. *See* International Bank for Reconstruction and Development
- ICE. *See* Intercontinental Exchange; International Commodity Exchange
- ICI. *See* Investment Company Institute
- Idzorek, Thomas M., 215n, 455n, 464n
- IMF. *See* International Monetary Fund
- Impact cost  
 calculation, 330e  
 equation, 330
- Impact cost per MMBTU, calculation, 330
- Implicit total return  
 composite index, initial total return composite indexes (comparison), 200e
- Implied returns. *See* Active commodity allocations; Passive commodity allocations  
 reengineering, 498
- Implied returns/risk, commodity weighting schemes, 501e
- Impulse response functions, 102–103. *See also* Orthogonalized impulse response functions  
 impact. *See* Real interest rate
- Independent market data, contrast. *See* Exchange market data
- Index-based commodity investments, disadvantages, 15
- Indexes  
 certificates, disadvantage, 15  
 construction rules, alternatives, 247e  
 funds, 13  
 mean-skewness chart, 520e  
 metrics, 515e  
 selection, importance, 465  
 trackers, usage, 463  
 weightings, monthly history, 436n
- Index providers  
 rebalancing, 175  
 summary, 173e–174e
- India  
 copper consumption, 784e  
 gold jewelry, percentage, 738  
 sugar  
 consumer, ranking, 892–893  
 production, 893e
- Indirect investment, 553–568
- Industrial agro-raw materials, 708–709
- Inflation, 215–219  
 betas. *See* Unexpected inflation betas  
 commodities hedge, providing, 461–462  
 Fed rate, comparison, 746e  
 gold prices, relationship, 746e  
 hedge. *See* Gold price.  
 hedge property, 93–95  
 regression results, 96e  
 impact. *See* Future dividends  
 inclusion/usage, 95  
 rate, 535  
 increase, 98  
 reaction, 219–220  
 relationship. *See* Commodities; Commodity returns
- Inflation-linked bonds, inclusion, 251–255
- Inflation-protected bonds, unavailability (assumption), 530
- Inflation-protected liabilities, 524  
 commodities, optimal strategic allocation, 533e  
 correlation. *See* Cash mean-variance frontier. *See* Investor
- Inflation-protected pensions, schemes, 524
- Initial margin, distinction, 16
- Initial total return composite indexes, comparison. *See* Implicit total return composite index
- Insurance, perspective, 28–29
- Intercontinental Exchange (ICE), 904
- Interest-bearing investments, interest payment, 622
- Interest generating energy, 150
- Interest rate parity theorem, 44
- Interest rates  
 increase. *See* Nominal interest rates  
 knowledge, 154

- relationship. *See* Monetary policy  
 upper limit, 149–151  
 illustration, 150e
- Intermediate-term  
 momentum, impact, 84
- International Atomic Energy Organization (IAEO), 687
- International Bank for Reconstruction and Development (IBRD), 713–714
- International Commodity Exchange (ICE), 828
- International Monetary Fund (IMF), 359n  
 collaboration. *See* World Bank  
 commodity price  
 observations, 359
- International Petroleum Exchange (IPE), 18  
 contracts, 827
- International portfolios. *See* Optimal international portfolios
- International Swaps and Derivatives Association (ISDA), 624n
- Intracommodity trading  
 strategies, examples, 663n
- Intra-sector correlation  
 structures, 185
- Inventory levels  
 convenience yield, correlation, 441  
 one-year convenience yields, correlation, 442e–443e
- Investable commodity indexes, passive investing, 555–557  
 ranking, 556e
- Investible CTA indexes, performance/benchmark, 287e–288e
- Investible manager-based indexes, 271
- Investible passive CTA indexes, 276
- Investible passive-security-based CTA indexes, 272, 274
- Investment  
 horizons, rolling correlation coefficients, 94e  
 interval, 150  
 selection, whole-of-portfolio approach, 618–619
- Investment Company Institute (ICI)  
 statistics/research, 562n
- Investment managers, focus, 313
- Investment opportunity set  
 monthly risk premium, 253e  
 standard deviation, 253e  
*t*-value, 253  
 unconditional historic correlation/annualized volatility, 247e, 252e
- Investment portfolios, commodities (role), 482–485
- Investor. *See* Prudent investor rule  
 benchmark exposure, access points, 557  
 contract rolling, 553  
 inflation-protected liabilities, mean-variance frontier, 532e, 546e  
 nominal liabilities, mean-variance frontier, 531e  
 risk, compensation, 621–622  
 risk-return trade-offs, consideration, 562
- Investor portfolio  
 contribution, 418–420  
 risk-return trade-off/efficiency, improvement, 242
- iPath Dow Jones-AIG Commodity Index Total Return ETN, 567e
- IPE. *See* International Petroleum Exchange
- Iron, 705. *See also* Liquid iron
- Irwin, Scott H., 58n, 360n, 365n, 372n, 373n, 393n, 394n, 627n, 909n, 918n, 924n, 927n, 939n, 944n
- ISDA. *See* International Swaps and Derivatives Association
- Isengildina, Olga, 360n
- Iteratives, usage. *See* Commodity portfolios
- i*-th factor, 199
- J
- Jack, Ian, 13n
- Jacka, S.D., 589n
- Jäckel, Peter, 837n
- Jackson, Thomas E., 372n
- Jacquier, Eric, 513n
- Jaffe, Jeffrey F., 63n
- James, Peter, 580n, 589n
- Japan, copper consumption, 784e
- Jarque, Carlos M., 467n
- Jarque-Bera (JB) statistic, monthly excess return data (basis), 468e  
 statistic, skewness/kurtosis basis, 467n  
 test statistic, calculation, 467, 469  
 values, 193
- Jarrow, Robert A., 587nl, 589n
- Jastram, Roy W., 728n
- JD. *See* Jump diffusion
- Jennings, Robert H., 934n
- Jensen, Gerald R., 74n, 75n, 98n, 241n, 486n
- Jensen, Michael C., 910n, 911n, 923n, 924n
- Jevons-Fisher formula, priority, 152
- Jewelry demand, 734  
 feature, 716
- Johansen cointegration test results, 371e
- Johansson, Per-Olov, 146n
- Johnson, Robert R., 74n, 75n, 98n, 241n, 486n
- Joseph II rule, 165–166
- JPMorgan Global Government Bond Index (JPGGB), 629, 668
- Jump diffusion (JD), 582–583  
 capture, 583
- Just, Richard E., 373n
- Just-in-time (JIT) inventory, 787

- K  
 Kahn, Ronald N., 423n  
 Kahneman, Daniel, 509n  
 Kaiser, Dieter G., 669n  
 Kalbfleisch, Jack D., 653n  
 Kaldor, Nicholas, 114n  
 Kaminski, Vince, 337n, 822n  
 Kaminsky, Graciela, 364n  
 Kandel, Shmuel, 524n, 533n  
 Kansas City Board of Trade (KCBOT), 864  
 Kaplan, Paul D., 30n, 63n  
 Kaplanski, Guy, 473n  
 Karavas, Vassilos N., 626n  
 Kat, Harry M., 18n, 33n, 68n, 70n, 71n, 95n, 98n, 192n, 193n, 208n, 211n, 218n, 225n, 226n, 228n, 229n, 238n, 425n, 447n, 455n, 456n, 489e, 493n, 516n, 518n, 626n  
 Kaufman, Perry J., 913n  
 Kavajecz, Kenneth A., 938n  
 Kavalis, Nikos, 727n, 738n  
 KCBOT. *See* Kansas City Board of Trade  
 Keyfitz, Robert, 105n  
 Keynes, John M., 21n, 29n, 56n, 114n, 256n, 430n  
   term. *See* Backwardation theory. *See* Normal backwardation  
 Kho, Bong-Chan, 941n  
 Khoja, Moazzam, 664n  
 Khokher, Zeigham, 441n  
 Kholodnyi, Valery, 337n  
 Kidd, Willis V., 940n  
 Kim, I.N., 589n  
 King, James F., 783n  
 King, Robert G., 108n  
 Kingsman, Brian G., 926n  
 Kins, Aleks, 664n  
 Kirk, Ewan, 592n  
 Kirk's approximation, problem, 592  
 Klüppelberg, Claudia, 471n  
 Kogelman, Stanley, 525n  
 Kolb, Robert W., 424n  
 Kolluri, Bahrat R., 723n  
 Könberg, Magnus, 640n, 643n  
 Koster, Peter, 850n  
 Krail, Robert, 627n  
 Krichene, Noureddine, 840n  
 Krinsky, Itzhak, 258n  
 Kritzman, Mark, 270n, 508n, 523n  
 Krkxhmal, Pavlo, 479n  
 Kroll, Yoram, 473n  
 Kroner, Kenneth F., 364n  
 Krukemyer, Terry R., 58n, 627n  
 Kumar, Manmohan S., 362n, 364n  
 Kunreuther, Howard C., 622n  
 Kurtosis, 459–460  
   absence/presence. *See* Distributions  
   calculation, 459  
   effects, 193  
   presence. *See* Commodity returns  
   relationship. *See* Skew  
 Kury, Ted, 337n, 339n  
 Kyoto Protocol, 844–846  
 L  
 Lagged gold price, 740  
 Lagging indicator, 395  
 Lakonishok, Josef, 928n, 938n, 939n  
 Lamm, Jr., R. McFall, 481e, 483e, 489e  
 Lane, George, 401  
 LaPlume, Joseph W., 624n  
 Lawrence, Colin, 746n  
 Layard-Liesching, Ronald G., 204n  
 Layard-Liesching  
   institutional investors, investment, 203–204  
 Lazar, Emese, 586n  
 LDZ. *See* Local Distribution Zone  
 Lead, 704–705  
   production, 705  
   usage, 704  
 Lean hogs, 575–576, 710–711  
   futures/spot prices, 576e  
 Lease rates, 46  
 LeBaron, Blake, 394n, 928n, 938n, 939n  
 LeBlanc, Michael, 363n  
 Ledoit, Oliver, 584n  
 Left-skewed distributions, 189, 192  
 Lehman, John, 339n  
 Lehman Brothers  
   LBCI, 172  
   TIPS, usage, 252n  
   total return composite index, 177n  
   U.S. Aggregate Bond Index, 246  
   U.S. Aggregate Bond Total Return Index, 64  
 Lehman U.S. Intermediate Treasury Index, usage, 527n  
 Leibowitz, Martin L., 525n  
 Leitch, Gordon, 373n  
 Lemmon, Michael L., 597n  
 León, Javier, 366n  
 LEP. *See* Low Extreme Point  
 Leuthold, Raymond, 59n  
 Leverage, level, 416–417  
   selection. *See* Futures program  
 Levered returns, hedge fund strategy, 417e  
 Levin, Eric J., 724n, 726n, 739n, 744n  
 Levy, Edmond, 591n  
 Levy, Robert A., 393n  
 Lewis, Michael, 246n  
 L'habitant, François-Serge, 404n, 626n, 669n  
 L'Hégaret, Guillaume, 840n  
 l'Hospital's rule, 156–157  
 Liabilities  
   annualized returns/volatilities, 527–528  
   assets, correlation matrix, 528  
 Liability hedging portfolio, combination, 531–532  
 Liang, Hong, 365n, 366n  
 Lien, Donald, 839n  
 Liew, John, 483n, 627n  
 LIFFE. *See* London International Financial Futures and Options Exchange  
 Limit books, estimation, 938–939  
 Lindberg, Martin, 640n, 643n  
 Linear weighted moving average (LWMA), 395n  
 Linpack. *See* United Kingdom  
 Liquefied natural gas (LNG), 685  
   import facility, 826  
 Liquid biomass, 691–692  
 Liquid iron, 705  
 Liquidity  
   costs, 941  
   data, 175–176

- risks, measurement, 328–331
- traders, 935
- Litzenberger, Robert H., 117n
- Liu, Shi-Miin, 942n
- Liu, Te-Ru, 365n, 373n
- Live cattle, 710
- Live CTAs, statistics, 652e
- Livestock
  - commodities,
    - fundamentals, 863
  - excess return index, 192
  - futures, seasonal hypothesis, 80
- Livestock, Dairy, and Poultry Situation and Outlook*, 882
- LMA. *See* Longer moving average
- LME. *See* London Metal Exchange
- LMEX. *See* London Metal Exchange Index
- LNG. *See* Liquefied natural gas
- Lo, Andrew W., 493n, 913n, 943n
- Local Distribution Zone (LDZ), 827
- Local volatility (forward volatility), 584–585
  - implication, 585
- Löfgren, Karl-Gustaf, 146n
- Logen Corporation, 692
- Logged spot prices, 367e
- Logged three-month futures prices, 368e–369e
- Logie, Michael J., 617n
- Log-normal distribution
  - impact, 131
- Log-normality, implication, 583
- Log-spot price change, expectation, 135
- London Bullion Market Association, clearing volumes (publication), 766
- London fix, 721
- London International Financial Futures and Options Exchange (LIFFE), 904, 928
- London Metal Exchange Index (LMEX), 785, 796
- London Metal Exchange (LME), 784–785
- base metal trading, 426n
- convenience yield, warehouse stocks (correlation). *See* Copper
- futures/options volumes, 785e
- warehouse stocks, interest rate (relationship), 440–441
- London PM dollar fixing price, 723e
- London white sugar prices, New York raw sugar prices (comparison), 905e
- Longer moving average (LMA), 914
- Longer-term moving average sample, 398e
  - usage, 397
- Long hedge. *See* Grain
- Long-only investing. *See* Passive investing
- Long-only investments, justification, 29
- Long-short portfolio, rebalancing, 78
- Longstaff, Francis A., 397n
- Long-Term Capital Management (LTCM), crises, 328
- Long-term passive commodity futures, 22–23
- Long-term price movements, 210
- Long-term real price level, 106
- Look ahead bias, 403
- Look back design, 487
- Lovell, Michael C., 943n
- Low Extreme Point (LEP), 917
- Lowry, Kenneth, 523n
- LTCM. *See* Long-Term Capital Management
- Lu, Sa, 516n
- Lucey, Brian M., 724n
- Lucia, Julio J., 338n, 597n
- Lukac, Louis P., 393n, 394n, 918n, 923n, 925n, 926n, 939n, 941n, 944n
- Lummer, Scott L., 30n, 63n
- LWMA. *See* Linear weighted moving average
- Lynch, Martin, 777e
- M
- MacKinlay, A. Craig, 943n
- Macmillan, Peter, 723n
- Macro economic conditioning
  - variables, graphical description, 540e
- Macroeconomic factors, effects, 71
- Macroeconomic variables
  - basis, 542
  - L*-dimensional vector, 540
- Macro fundamentals, hedge (role), 501–502
- Macroportfolio hedging, 416
- Mahdavi, Saeid, 723n
- Makarov, Igor, 493n
- Malik, Farooq, 833n
- Mamaysky, Harry, 913n
- Managed-based CTA indexes, 271–272, 276
  - investibility, 272
  - selection criteria, 271
  - style classification, 271
  - weighting scheme, 272
- Managed-based index series, 270
- Managed-based investible CTA indexes, 276
- Managed futures, 557–561
  - active investing, 557–561
  - advantage, 561
  - asset class, funds
    - allocation, 558
  - assets, management, 269e
  - benefits/risks, research, 267
  - description, 269–270
  - growth/benefit, 268
  - indexes, 513–517
  - label, 417
  - products, investor demand (growth), 268
  - returns, regression, 419e
- strategies
  - benchmarks, performance/review. *See* Commodity trading advisors
  - trading advisors
  - futures markets trading, 269–270
- Manager
  - bias. *See* Commodity trading advisors
  - performance, representation, 484
- Manager-based CTA indexes, 283

- Manager-based stock/bond indexes, 270  
 Manaster, Steven, 68n  
 MAR. *See* Minimum acceptable return  
 Marckhoff, Jan, 596n  
 Margrabe, William, 592n  
 Markellos, Raphael N., 858n  
 Markert, Viola, 27n, 229n, 425n  
 Market  
   efficiency, 911–912  
   test, 364–365  
   environments  
     analysis, 641e–642e, 643e, 644e–645e  
     comparison, 640, 643, 646  
   environments, impact (analysis). *See* Financial ratios  
   frictions, 930–931  
   inefficiencies, 939–940  
   microstructure deficiencies, 941–943  
   microstructure factors, impact, 942–943  
   microstructure issues, treatment, 947  
   participants, 5–6  
   risk. *See* Systematic risk  
   structural change, inefficiencies, 940  
   timing, relationship. *See* Commodities  
   trends, prediction (absence), 396  
   volatility, 83  
 Market-factor-based excess returns metrics, 298, 303  
 Market price dynamics, agent-based model (usage), 937  
 Market-ready cows, sale, 880  
 Markowitz, Harry M., 35n, 454n, 628n  
 Markowitz mean-variance efficient frontier, 474  
 Mark-to-market report, 332e  
 MARPE. *See* Mean absolute relative pricing error  
 Marquering, Wessel, 939n  
 Marsh, Paul, 939n  
 Martellini, Lionel, 197n, 198n  
 Martingale process, usage, 583  
 Mathur, Ike, 241n  
 Maximum drawdown (MaxDD), 466–467  
   examination, 675  
   illustration, 466e  
   insurance, 467  
   measurement, 474n  
 Maximum future profit, 148–149  
 Maximum return portfolio (MaxEP), 35  
 Maximum returns, 468e  
 McAleer, Michael, 788n  
 McCarthy, David, 483n  
 McDermott, C. John, 359n, 365n, 366n, 505n, 556n  
 McKean, Henry P., 589n  
 McKenzie, Andrew M., 364n  
 McNichols, Maureen, 934n  
 McQueen, Grant, 731n  
 MCX. *See* Multi Commodity Exchange of India  
 Mean absolute relative pricing error (MARPE), 373–374  
 Mean-CVaR approach, technical implementation, 473–474  
 Mean-CVaR efficient frontiers. *See* Commodity portfolios  
 Mean return, indicator, 630–631  
 Mean reversion  
   behavior. *See* Commodity returns  
   modeling, alternative, 582  
   rates. *See* Volatility  
 Mean semideviation model, 520e  
 Mean-variance frontier. *See* Investor  
 Mean-variance model, 56  
 Mean-variance optimizer, impact, 244–245  
 Mean-variance spanning  
   formal tests, total returns (usage), 245n  
   presence, 541  
   test, 241  
 Mean-variance utility  
   function. *See* Pension fund  
 Meats, excess return index, 192  
 Medals, precious metal form, 695  
 Medium-term market timing, 448e  
 Melenberg, Bertrand, 522n  
 Mengle, David, 614n  
 Menkhoff, Lukas, 947n  
 Mercer, Jeffrey M., 74n, 75n, 98n, 241n, 486n  
 Mercurio, Fabio, 585n  
 Merrill Lynch TIPS, usage, 252  
 Merton, Robert C., 376n, 583n, 726n  
 Messina, Joseph, 516n  
 Metal futures  
   seasonal hypothesis, 80  
   traders, world viewpoint, 792–793  
 Metals. *See* Base metals; Non-ferrous metals; Precious metals  
   hard commodities, 695–706  
   investment, achievement. *See* Direct metal investment  
   prices  
     increase, 796  
     prices, direct exposures, 792–797  
   volatility. *See* Annualized metal volatility  
 Mexico, silver mining, 770  
 Mezger, Markus, 434n, 439n  
 MFI. *See* Standard & Poor's Managed Futures Index  
 MFSB Composite Index, 289  
 MFSB program, nonpublic form, 289n  
 MGEX. *See* Minneapolis Grain Exchange  
 Michaud, Richard, 725n, 727n  
 Michaud, Robert, 725n, 727n  
 Micola, Augusto Rupérez, 835n  
 Micro-CTAs, 648  
   characteristics, 656e  
   data/methodology, 651–653  
   death, risk, 654–655  
   empirical results, 653–659  
   future, 655–657  
   number, increase, 649–650  
   performance, 653  
   predictor variables, impact, 658

- size/survival/returns, 653–655
- survival  
estimate, 654  
prediction, 657e  
times, 653, 657–659
- Miffre, Joelle, 35n, 78n, 83n, 432n
- MII price channel, 925
- Mikosch, Thomas, 471n
- Miller, Merton H., 144e
- Mills, Terence C., 727n
- Milonas, Nikolaos T., 117n
- Mineral deposit, 778
- Minimum acceptable return (MAR), 508n
- Minimum returns, 468e
- Minimum-risk portfolio, volatility implication, 530–531
- Minimum variance (MVP), 35–36
- Mining, action, 779
- Minneapolis Grain Exchange (MGEX), 864
- MLM. *See* Mount Lucas Management
- Model-based bootstrap methodology, 928
- Modest, David M., 374n
- Molenaar, Roderick D.J., 33n, 74n, 447n, 522n, 523n, 542n
- Molenaar, Tom, 33n
- Moment statistics, 468e
- Momentum oscillators, 913  
usage. *See* Directional price movement
- Momentum portfolios, 222e
- Momentum strategy. *See* Commodity futures application, 221–222  
earnings, 432
- Momentum values, moving averages (similarity), 916
- Moncuicle, Gillian, 732n
- Monetary environment indicators, combination. *See* Business cycle
- Monetary policy  
commodity returns, dynamic linkages (vector autoregressive analysis), 97–104  
environment, interest rates (relationship), 74–77
- Monte Carlo simulation, usage, 587
- Monthly arithmetic returns  
correlations, 65e  
descriptive statistics, 62e
- Monthly commodity returns  
empirical/normal density, 236e  
sample ACF FUNCTION, 236e
- Monthly inflation, correlations, 91e
- Moosa, Imad A., 362n
- Morana, Claudio, 373n
- Morgan Stanley Capital International (MSCI)  
systematic CTA indexes, noninclusion, 276n  
World Materials, 12
- Morgan Stanley Capital International World (MSCW), 629, 668  
returns, 634
- Morgan Stanley Commodity Related Index, 12
- Morton, Andrew, 587n
- MotherRock, establishment/problems, 665n
- Mount Lucas Management (MLM), 172  
composite indexes, 185  
development, strong deviation (usage), 200n
- Moving-average-based trend-following systems, limits, 398–400
- Moving averages  
disadvantages, 398–399  
discovery, objective, 397–398  
optimal length, 398  
parameter combinations, 927  
rules, buy/sell signals, 939  
signals, 394–398  
smoothing devices, 395  
usage. *See* Gold futures
- MSCI. *See* Morgan Stanley Capital International
- MSCW. *See* Morgan Stanley Capital International World
- Multi Commodity Exchange of India (MCX), 720  
silver trading, 774
- Multifactor benchmarks, excess return/alpha determinations, 281e
- Multifactor regression  
format, 282e
- Multivariate analysis, 237–238
- Musiela, Marek, 823n
- Mutual funds, passive investing, 562–565
- MVP. *See* Minimum variance
- Myers, Robert J., 615n
- Myneni, Ravi, 589n
- Myopic short-term allocation, statistical significance. *See* Commodities
- N
- NAP. *See* National allocation plan
- NAREIT series, 527n
- NASDAQ 100 Index, futures contracts, 42
- Nash, Daniel J., 211n, 434n
- National allocation plan (NAP), 845–46  
implementation, 846–847
- National Balancing Point (NBP), 825, 828
- National Bureau of Economic Research (NBER)  
definition. *See* Business cycle  
monthly cash index. *See* Commodities
- National Commodity and Derivative Exchange (NCDEX), 720
- National Futures Association, membership, 391
- National Grid, 827–828
- National Transmission System (NTS), 827, 829
- Natural gas (NG), 577, 684–685. *See also* Compressed natural gas; Liquefied natural gas; New York Mercantile Exchange  
annualized negative roll yield, 430  
contract, seasonal price behavior (example), 435  
forward curve  
confidence bands, 355e  
principal components, 349–351  
simulation, sample, 354e

- Natural gas (*Continued*)  
 futures, decline, 665n  
 futures prices, 578e  
 contrast. *See* Corn  
 increase, March-to-April  
 contract, 350–351  
 level component (principal  
 component), 350–351  
 market. *See* United  
 Kingdom  
 measurement, 826n  
 spot prices, 578e  
 time spreads, 663n
- Natural resource companies,  
 investment, 11
- Nauc er, Thomas, 855n
- NAV. *See* Net asset value
- NBP. *See* National Balancing  
 Point
- NCDEX. *See* National  
 Commodity and  
 Derivative Exchange
- Nearest-to-maturity futures  
 price, usage, 134n
- Near-month contract, 229
- Neely, Christopher J., 929n
- Neftci, Saher N., 395n
- Neftci, Salah, 16n, 118n
- Neftci, Salih N., 914n
- Negative excess kurtosis,  
 risk-averse investors  
 preference, 192
- Negative excess return  
 performance, 286
- Neher, Philip A., 158n
- Nelken, Izzy, 664n
- Nelson, Bo, 855n
- Nelson, Daniel B., 586n
- Net asset value (NAV)  
 difference, hypothetical  
 MMBTU, 325e  
 marking, 324–325  
 price changes, impact,  
 330e
- Net-linked installations,  
 688–689
- Net proceeds, cost return  
 (contrast), 148–151
- Neumann, Anne, 836n, 840n
- Newey, Whitney K., 375n,  
 536n
- Newey-West adjusted  
*p*-values, 250
- Newey-West adjustment,  
 250n
- Newey-West heteroskedastic  
 autocorrelated  
 consistent standard  
 errors, usage, 375
- New Gas Trading  
 Arrangements,  
 implementation, 827
- Newton-Raphson hill-  
 climbing  
 methodology,  
 341–342
- New York Board of Trade  
 (NYBOT)  
 FINEX division, 40  
 soft commodities complex,  
 888
- New York Commodity  
 Exchange (COMEX),  
 786, 927
- aluminum futures volumes,  
 786e
- copper contract, 426
- copper futures/options,  
 786e
- gold futures instrument,  
 introduction, 714
- metal options trading  
 volume, 573e
- silver trading, 774
- trading, activity, 571–572
- New York Mercantile  
 Exchange (NYMEX),  
 18, 719–720, 927
- ClearPort, 324
- CL forward curve  
 principal components,  
 348e, 352e  
 weighted principal  
 components, 349e,  
 352e
- crude oil, forward  
 structure, 440e
- daily movement, 326e
- energy options trading  
 volume, 572e
- futures/options trading  
 volume, 571e
- Heating Oil, consideration,  
 328
- Henry Hub (HH)  
 contrast. *See* PJM  
 Western Hub
- Natural Gas Prompt  
 contract, 330
- natural gas (NG) contracts,  
 342
- historical/projected  
 volatility curve, 346e
- historical volatility,  
 341e
- refit volatility curve,  
 345e
- volatility curves, 343e
- natural gas (NG) forward  
 curve  
 principal components,  
 350e, 352e  
 weighted principal  
 components, 351e,  
 352e
- natural gas (NG) futures  
 contracts, historical  
 volatility, 340–341
- trading activity, 571–572
- Unleaded Gasoline,  
 consideration, 328
- WTI, relative mean  
 reversion, 323e
- WTI crude oil market,  
 backwardation/  
 contango  
 approximation, 231n
- WTI spot price, 323e
- New York raw sugar prices,  
 comparison. *See*  
 London white sugar  
 prices
- Next-to-expire futures  
 contract, 134
- NG. *See* Natural gas
- Nickel, 703
- forward curves, 436
- production, 703
- usage, 782
- Niechoj, Torsten, 164n
- Nielsen, Bjoern F., 597n
- Nielsen, Soren T., 393n
- Nijman, Theo E., 114n,  
 245n, 259n, 463n,  
 534n, 542n
- Nikkei 225 Stock Index,  
 futures contracts, 42
- Nison, Steve, 910n
- Nisser, Johan, 939n
- No-arbitrage condition, 581n
- Nogueira, Leonardo M.,  
 584n
- Noise traders, 935
- purchase, 935–936
- Noisy rational expectations  
 equilibriums model,  
 934
- Noisy rational expectations  
 model, 934–935
- proposal. *See* Two-period  
 noisy rational  
 expectations model
- Nominal interest rates,  
 increase, 99
- Nominal liabilities  
 mean-variance frontier. *See*  
 Investor

- real liabilities, correlation matrix, 528–529
- Nominal pension liabilities, conditional mean-variance spanning test, 541e
- Non-complying investment, selection, 618
- Nonferrous metals, 705
- Noninvestible active manager-based CTA indexes, 274–275, 279
- Noninvestible CTA indexes, 283, 286
- performance/benchmark comparisons, 284e–285e
- Noninvestible manager-based indexes, 271
- Nonlinear optimization. *See* Volatility failure, 342
- Nonparametric Friedman test, 180
- Nonperishable commodity assets, purchase, 550
- Nonperishable real assets, 454–455
- Nonrelated commodity groupings, negative correlations, 461
- Nonstorable commodities commodity spot price, relationship, 121n
- spot price, impact, 125n
- Nontrend followers, 400–402
- Nordpool market, 808n
- Normal backwardation, 29, 49
- empirical findings, 257
- existence, absence, 259
- theory, 21n, 114
- Keynes theory, 56, 430, 456
- Normalized third central distributional moment, 189
- Normal market. *See* Contango
- NTS. *See* National Transmission System
- Null hypothesis, 180
- correspondence. *See* *t*-value rejection, absence, 250
- usage, 923
- value, 193
- NYBOT. *See* New York Board of Trade
- NYMEX. *See* New York Mercantile Exchange
- O
- Occurrence of normality, 193
- OCM. *See* On-the-Day Commodity Market
- Odders-White, Elizabeth R., 938n
- OECD countries, oil demand, 684
- OECD stocks, 441
- OECD U.S. CPI, monthly data, 232
- O'Hara, Maureen, 934n
- Oil. *See* Crude oil demand side, imbalances, 683–684
- prices
- comparison, 396e
- OPEC-driven long-term volatility, 833
- term structure, 125–126
- Oil producing/service companies (XOI) index, 496e
- Okunev, John, 941n
- OLS. *See* Ordinary-least squares
- Olson, Dennis, 930n
- One-dimensionality, assurance, 199
- One-dimensional summary, achievement, 199
- One-factor Pilipovic model, 582
- One-quarter horizon forecast performance, 380e–381e
- models, usage, 377
- One-sided boundary condition, 789
- One-year deferred contract, termination point, 435–436
- One-year LME convenience yield, warehouse stocks (correlation). *See* Copper
- Ontario Teachers' Pension Plan, 203
- On-the-Day Commodity Market (OCM), 828
- Oomen, Roel C.A., 18n, 33n, 68n, 70n, 71n, 95n, 98n, 192n, 193n, 208n, 211n, 218n, 225n, 226n, 228n, 229n, 238n, 425n, 447n, 456n
- OPEC
- base, 683
- members, crude oil (glut), 51
- shocks, impact, 410–411
- Operational risks management. *See* Basic operational risk management; Fundamental operational risk management
- mitigation, 331–334
- Operational trading, 848–851. *See also* European Union
- Oppenheimer, J.R., 686
- Optimal commodity investments, analysis, 69
- Optimal cut-down strategy, 162–163
- Optimal forestry, simple problems, 146
- Optimal international portfolios, 419e
- Optimal mean-variance portfolio, pension liabilities (inclusion), 544–545
- Optimal portfolio allocations, seasonality (display), 80, 82
- Optimal portfolio weights, 70e
- GDP growth, 73e
- momentum, 85e
- monetary policy, 76e
- seasonal portfolios, 81e
- term structure, 79e
- Optimal strategic allocation. *See* Inflation-protected liabilities
- Optimal strategic portfolio, 531–532
- Optimization
- energy, absence, 476
- usage. *See* Surplus optimization
- Option-linked structures, impact, 615
- Options. *See* Commodities; Futures; Gold greeks, measurement/monitoring, 320

- Options (*Continued*)  
 pricing models,  
   parameters, 579  
 rights, 554–555  
 speculator usage, 570–571  
 trading, risk management  
   analysis requirements,  
   320
- Order books, estimation,  
 938–939
- Order flow, usage, 938–939
- Ordinary least squares (OLS)  
 estimation technique,  
 492–493  
 regression, 101  
   application, 100
- Ore body, 778  
   compound type, 778
- Oren, Shmuel S., 597n
- Originators, commodity price  
 risk exposure  
 (absence), 625
- Orphanides, Athanasios,  
 506n
- Orthogonalized impulse  
 response functions,  
 103
- Ortobelli, Sergio, 473n
- Osler, Carol L., 913n, 937n,  
 938n
- Osmaston, F.C., 156n
- Osmundsen, Petter, 833n,  
 837n
- Out-of-sample period, usage,  
 929
- Out-of-sample verification  
 usage, absence, 944–945
- Out-of-sample verification,  
 conducting, 918,  
 925
- Outside Price Channel,  
 914–915  
 definitions, 915  
 parameters, 915  
 support/resistance, 913  
 trading rules, 915
- Over-the-counter (OTC)  
 averaging  
   conventions, 333
- Over-the-counter (OTC)  
 broker data, curve  
 (seasonal shaping),  
 325
- Over-the-counter (OTC)  
 commodity options,  
 trading, 574
- Over-the-counter (OTC)  
 confirmations, 333–  
 334
- Over-the-counter (OTC)  
 contacts, commodity  
 trades, 324
- Over-the-counter (OTC)  
 forwards, 626
- Over-the-counter (OTC)  
 market. *See*  
 Electricity; Gold
- direct access, 805
- Over-the-counter (OTC)  
 product markets,  
 482n
- Ozfidan, Ozkan, 833n
- P
- Pagan, Adrian, 374n
- Page, Sebastien, 508n
- Palladium, 701
- Palmquist, Jonas, 479n
- Papageorgiou, Nicolas, 627n,  
 650n, 654n
- Parameter optimization,  
 conducting, 925
- Park, Cheol-Ho, 394n, 909n
- Park, James M., 483n, 630n,  
 650n, 656n
- Parker, George G.C., 393n,  
 910n
- Pascucci, Jerry, 549n
- Passive/active allocation,  
 498–501
- Passive/active manager total  
 returns, contrast  
 (performance  
 statistics). *See*  
 Commodity prices
- Passive CISDM CTA Index,  
 contrast. *See* Active  
 CISDM CTA Index
- Passive commodity  
 allocations  
 implied returns, 499e  
 portfolio characteristics,  
 500e
- Passive commodity investing,  
 485–491
- Passive investing (long-only  
 investing), 555–557.  
*See also* Investable  
 commodity indexes;  
 Mutual funds
- Passive long-only  
 commodities  
 exposure, providing,  
 555–556
- Payne, John W., 508n
- PC. *See* Principal components
- PDF. *See* Probability density  
 function
- Peak block. *See* Electricity
- Pennings, Joost M.E., 63n
- Pension fund  
 assets, availability, 527  
 mean-variance utility  
   function, assumption,  
 526
- Pension liabilities, inclusion.  
*See* Optimal mean-  
 variance portfolio
- Performance  
 characteristics, 30–35  
 persistence. *See* Energy  
 hedge funds  
 statistics, 488e
- Periodical profit (PG), 155
- Perishable real assets, 454–  
 455
- Perold, André F., 25n, 261n
- Perron, Pierre, 100n
- Petith, Howard, 776n
- Petroleum  
   companies, beta  
   coefficients/  
   correlation  
   coefficients, 48e  
   complex, example, 409  
   seasonal sales/production  
   patterns, 409e
- Pflug, Georg, 472n
- PG. *See* Periodical profit
- Phillips, Peter C.B., 100n
- Phillips-Perron (PP) statistic  
 test, 367e
- Phillips-Perron (PP) test, 366
- Photovoltaics, 688–689
- PHY. *See* Center for  
 International  
 Securities and  
 Derivatives Market
- Physical commodities, 45–46  
 purchase/sale, 552  
 short selling, 117
- Physical futures markets,  
 trading, 274
- Physical gold, trading, 697–  
 698
- Physical good, purchase, 11
- Physical grain, pricing, 875
- Physical interest rate. *See*  
 Gold
- Physical precious metal,  
 precious metal form,  
 696
- Physicals, CTA specialists  
 (usage), 492–493
- Pilipovic, Dragana, 582n
- Pindyck, Robert S., 84n, 88n,  
 336n, 338n, 339n

- PJM daily movement, 326e  
 PJM spot electricity, prices, 577  
 PJM Western Hub, NYMEX HH (contrast), 326  
 Platinum, 700–701  
   prices, 700–701  
   production, 700  
 Plosser, Charles L., 108n  
 p-n crossing, 688  
 PointCarbon, daily  
   settlement prices, 851n  
 Point value, 15–16  
 Poland, emissions allowances (banking), 857n  
 Portfolio  
   active management, 558  
   allocation, 36e  
   asset behavior (description), correlation (usage), 455  
   concentration risk, 411–413  
   construction, 403–404  
   diversification, 411  
   diversified strategies, combination, 411–413  
   diversifier, 462–463  
   downside risk, reduction, 518  
   evaluation, 75–77  
   Global Advisors LP (GALP), Stark diversified CTA index (addition), 421e  
   gold, impact, 736  
   hedging. *See* Macroportfolio  
   hedging  
   improvement, statistical significance, 533–536  
   investments, alternatives, 504  
   impact, 517–521  
   mark to market values, time series, 356  
   mean-skewness chart, 520e  
   metrics, 519e  
   optimization, usage. *See* Commodities  
   results, 79  
   return, 474  
   risk, constraints, 476  
   values, simulation (application), 356–357  
   VaR, incremental contribution, 414  
   volatility, commodity investment strategies, contrast. *See* Annualized portfolio volatility  
 Portfolio-effect risk measures, 415e  
 Positive excess returns, guarantee (absence), 257n  
 Positively skewed distribution, returns (increase), 459  
 Positive risk premium, 194  
 Positive technical trading profits, explanation, 945  
 Pound-dollar exchange rate/ differences, 928  
 PP. *See* Phillips-Perron  
 PPI. *See* Producer Price Index  
 Prasertsri, Ponnarong, 895n  
 Prebisch, Raul, 359n  
 Prebisch-Singer hypothesis, 365–366  
 Precious metals, 695–701  
   commercial forms, 695–696  
 Prentice, Rose L., 653n  
 Press, William, 341n, 342n  
 Pressler, Max Robert, 163n  
 Pretest bias, 402  
 Price lines, crossing, 396  
 Price movements, forecasting, 909  
 Price oscillations, amplitude, 937  
 Pricing options, 587–593  
 Principal components (PC) analysis, 198  
   relationship. *See* Total return  
 Proalcool program. *See* Brazil  
 Probability density function (PDF), 458  
 Probability plot, 658e  
 Producer Price Index (PPI), 480  
 Production  
   function, 147e  
   period, derivation, 149  
   time consumption, 145–148  
 Profit, referral, 148  
 Profit rate, maximization, 151  
 Prompt dates, 784  
 Prudence, duty, 618  
 Prudent investor rule, 617–619  
 PSI. *See* Global Property Research  
 Psychoyios, Dimitris, 858n  
 Public databases, manager universe (representation), 272e  
 Pulvermacher, Katharine, 725n, 727n, 746n  
 Pure composite index, 198  
 Pure filter systems, 918  
 p-values, 250, 541. *See also* Commodity stock index  
   correspondence, 251e, 263  
 Q  
 Quandt, Richard, 341n  
 Quarterly ECM forecasts, generation, 377, 379  
 Quarterly holding period, basis. *See* Correlation matrix; Descriptive statistics  
 Quasi-asset price, 120  
 Querin, Scott F., 924n  
 R  
 Raab, Daniel M., 23n  
 Rabinowitz, Nir, 117n  
 Rachev, Svetlozar T., 473n  
 Rallis, Georgios, 83n, 432n  
 Random number, generation (impact), 349  
 Random walk model, 370  
 Ranga, Nathan, 486n  
 Ranson, David, 723n, 729n, 750n  
 Rate of return (RoR), 675  
 Rational utility functions, usage, 472–473  
 Rausser, Gordon C., 21n, 59n, 80n, 373n  
 Ravindran, K., 592n  
 RBD. *See* Reconciliation by difference  
 Real commodity indexes, computation, 100  
 Real diversifier, usage, 463  
 Real estate  
   price, demand (impact), 163–164  
   value, 153  
 Real estate investment trusts (REITs), 461

- Real interest rate  
 change, absence, 99  
 impact, 102–103  
 increase, impulse response  
 function (impact),  
 104e
- Real lease rate. *See* Gold
- Real liabilities, correlation  
 matrix. *See* Nominal  
 liabilities
- Real money growth, increase,  
 99
- Real returns, consideration,  
 238
- Rebalanced portfolio,  
 geometric return/  
 weighted average  
 geometric return  
 (difference), 212
- Rebalancing effect, 211–212
- Rebalancing return, 25
- Rebonato, Riccardo, 837n,  
 839n
- Recession, observation, 110
- Recharacterization risk,  
 relationship. *See*  
 Commodities
- Reconciliation by difference  
 (RBD). *See* United  
 Kingdom  
 method, 832
- Red Meat Yearbook*, 882
- Reducing agents, price/  
 availability, 778
- Refinery capacity, Hurricane  
 Katrina (impact), 7
- Refinery product time  
 spreads, 663n
- Refit volatility curve. *See*  
 New York Mercantile  
 Exchange
- Regional gas spreads, 663n
- Regional Greenhouse Gas  
 Initiative (RGGI), 844
- Regional spreads, 663n
- Regression  
 diagnostics, 265e. *See also*  
 Spanning regression  
 diagnostics  
 difference, 245  
 Excel, usage. *See* Asset  
 spanning regression  
 statistics, 263–265
- Regression-based mean-  
 variance spanning  
 test, empirical  
 results, 249–255
- REITs. *See* Real estate  
 investment trusts
- Relative mean reversion. *See*  
 New York Mercantile  
 Exchange  
 phenomenon, 323–324
- Relative Strength Index (RSI),  
 400–401, 913, 915–  
 916  
 calculation, 400, 401  
 definitions, 916  
 parameters, 916  
 trading rules, 916
- Relative strength (RS), 916
- Remillard, Jason, 267n, 280n
- Renewable Energy Sources  
 Act, 687
- Renewable resources,  
 optimal rotation  
 period, 145
- Renewables obligation (RO),  
 834  
 impact. *See* United  
 Kingdom
- Rent for land lease, isolation  
 (absence), 161
- Rentzler, Joel C., 58n, 483n
- Reoptimization method,  
 924–925
- Replicating portfolio,  
 function, 117
- Replication trading strategy,  
 feasibility, 116
- Reproducible resources,  
 146n
- Residual correlation matrix,  
 103e
- Restrictive monetary policy,  
 74–75
- Retirement savings schemes,  
 commodities  
 (strategic/tactical  
 allocation), 522
- Return  
 average gain/loss, 183e–  
 184e  
 characteristics. *See* Single-  
 commodity return  
 characteristics  
 composition, 427, 430  
 decomposition, 138, 209–  
 214  
 distributions, 507  
 matrix, 198  
 periods, positive returns,  
 182e  
 properties, investigation,  
 181  
 rate. *See* Rate of return  
 sources, 229–231  
 standard deviation, 637  
 statistics CTA portfolio,  
 433e  
 volatility, relationship,  
 178–185
- Reuters/Jeffries CRB,  
 investable commodity  
 index, 556e
- Revenues, commodity prices  
 (correlation), 617
- Revenues finance  
 expenditures, 154–  
 158
- REXP data, 753
- RGGI. *See* Regional  
 Greenhouse Gas  
 Initiative
- Ricardo, David, 162
- RICI. *See* Rogers  
 International  
 Commodity Index
- Risk  
 allocation, 412  
 analysis, gaps, 315  
 assessment. *See* Forward  
 prices  
 capital  
 allocation, 404  
 quantification, 326, 328  
 characteristics, 30–35  
 components, 10n  
 diversification,  
 relationship, 246–249  
 hedging, 335–336  
 indexes, betas  
 (insignificance), 256n  
 issues, treatment, 947  
 measures, 413–416. *See*  
 also Portfolio-effect  
 risk measures;  
 Strategy-level risk  
 measures  
 examples, 415e  
 quantification, 316  
 return, relationship, 246–  
 249
- Risk-adjusted basis, 941
- Risk-adjusted performance  
 measures, 631. *See also*  
 Capital Asset Pricing  
 Model  
 ratios, 675
- Risk-adjusted returns, 194  
 significance, 925
- Risk-averse investors,  
 preference. *See*  
 Negative excess  
 kurtosis
- Risk-free asset, availability,  
 534

- Risk-free rate, 115  
 adjustment, 123–124  
 calculation, 135
- Risk management, 413–416  
 analysis requirements. *See*  
 Options  
 basis report, 329e  
 gaps, 315  
 hedging, example, –357  
 inadequacies, 315  
 performance attribution,  
 331  
 practices, market data  
 nonincorporation  
 (danger), 324–325
- Risk metrics, usage, 316
- Risk neutral pricing,  
 limitation, 115–118
- Risk neutral probability  
 measure, 580–581
- Risk premium models  
 (RPM), 113–114,  
 118–120  
 convenience yield models  
 relationship, 119e  
 synthesis, 121–122  
 graphical relationship,  
 133e  
 impact. *See* Futures  
 returns; Term  
 structure  
 usage, 133
- Risk premiums ( premia ),  
 940–941. *See also*  
 Positive risk premium  
 adjustment, 123  
 appendix, 143–144  
 consideration, 455–457  
 consistency, 60–61  
 convenience yield models,  
 relationship, 113  
 diversification return  
 selection, 259–261  
 diversification return,  
 misidentification,  
 213–214  
 empirical evidence, 59–61  
 impact. *See* Convenience  
 yield  
 presence, 364  
 relationships, summary,  
 142e
- Risk-return characteristics,  
 170  
 divergences, 171
- Risk-return-dominating  
 indexes, 194
- Risk-return trade-off/  
 efficiency,  
 improvement. *See*  
 Investor portfolio  
 River elevators, 866–867
- RMSE. *See* Root mean  
 squared error
- RO. *See* Renewables  
 obligation
- Roberts, Matthew C., 929n
- Robustness analysis, 545–  
 546. *See also* Expected  
 returns  
 usage, 531n
- Rockafellar, Tyrrell R.,  
 471n
- Roddy, Peter, 783n
- Rogers, L.C.G., 769n
- Rogers International  
 Commodity Index  
 (RICI), 170n, 171,  
 175–176, 426  
 data history, absence, 181,  
 183  
 introduction, 486
- Roll, Richard A., 941n
- Rolling, 17n. *See also* Futures  
 contracts  
 average means,  
 correlations, 92e  
 process, 228  
 up/down, 210, 229
- Rolling correlation  
 coefficients. *See*  
 Investment  
 Roll-over date, 230
- Roll returns, 23, 211e. *See*  
*also* Unexpected roll  
 returns  
 expression, 24–25  
 process, 228  
 result, 24  
 roll/spot/futures return,  
 conditioning, 139e–  
 140e  
 volatilities, 137e
- Roll yield, 134. *See also*  
 Average roll yields  
 inclusion. *See* Spot yield  
 process, 228
- Rom, Brian M., 507n, 508n
- Root, Thomas H., 839n
- Root mean squared error  
 (RMSE), 373–374  
 magnitude, 374
- RoR. *See* Rate of return
- Rosander, Jerker, 855n
- Rosansky, Victor I., 10n,  
 30n, 39n, 57n, 60n,  
 63n, 67n, 89n, 256n,  
 424n, 456n, 457n
- Ross, Stephen A., 144e
- Rotemberg, Julio J., 84n, 88n
- Rouah, Fabrice, 626n, 650n,  
 654n
- Rouwenhorst, K. Geert, 12n,  
 30n, 33n, 60n, 63n,  
 68n, 69n, 71n, 72n,  
 80n, 83n, 89n, 132n,  
 188n, 205n, 208n,  
 213n, 214n, 228n,  
 229n, 241n, 256n,  
 424n, 434n, 446n,  
 456n, 467n, 506n,  
 515n, 523n, 529n,  
 556n
- RPM. *See* Risk premium  
 models
- RS. *See* Relative strength
- RSI. *See* Relative Strength  
 Index
- Rubio, Gonzalo, 726n
- Rudolf, Markus, 608e
- Russell 1000 Index, futures  
 contracts, 42
- Rutkowski, Marek, 823n
- S  
 Sagl, Wolfgang, 163n
- Salisbury, Ian, 565n
- Sample ACF  
 Function. *See* Monthly  
 commodity returns  
 plotting, 235, 237
- Samuelson, Paul A., 146n,  
 157n, 912n
- Samuelson effect, 839–840
- Sandmark, Maria, 833n
- Santa-Clara, Pedro, 584n
- Satyanarayan, Sudhakar,  
 418n
- Savarino, James E., 628n
- Scarcity models,  
 backwardation  
 (basis), 432–439
- Schadt, Rudi, 538n
- Scharfstein, David S., 936n
- Scherer, Bernd, 9n
- Schmidt, Anatoly B., 937n
- Schmitz, Andrew, 21n, 80n
- Schneeweis, Thomas, 267n,  
 269n, 276n, 279n,  
 280n, 483n, 517n
- Scholes, Myron, 338n, 588n
- Scholtes, Saskia, 614e
- Scholz, Stefan, 507n
- Schotman, Peter C., 523n
- Schuhmacher, Frank, 631n
- Schwager, Jack D., 913n
- Schwarz, Steven L., 613n

- Schwartz, Eduardo S., 336n, 338n, 581n, 582n, 597n
- Schwert, G. William, 939n
- Scott, Alasdair, 506n
- Scott, James H., 9n
- Scourse, Andrew, 593n
- Scruggs, John T., 726n
- SD. *See* Standard deviation
- Seasonality, 80–83
- Seasonally adjusted GDP, 72
- Seasonal normal demand (SND), 831  
relationship. *See* United Kingdom
- Seasonal price behavior  
examples, 434–435  
expectation, 445
- Second central moment,  
portfolio risk measure, 457–460
- Sector indexes, 198  
annualized returns, 179e
- Sector-specific stocks,  
correlation, 11
- Securities and Exchange Commission (SEC),  
non-regulation, 391
- Securities coupon, 622
- Securitization. *See*  
Commodity price risk;  
Credit risk  
evolution, 613–614
- Security-based index series, 270
- Seguin, Paul J., 122n
- Selection indicator, relative term structures (basis), 435e
- Semistrong form efficiency, 912
- Shanghai Futures Exchange (SHFE), 786–787, 790  
contract volume, 787e
- Shanken, Jay, 538n, 726n
- Shapiro, Alex, 472n
- Sharpe, William F., 25n, 171n, 194n, 271n, 516n, 525n, 631n
- Sharpe ratio, 82, 194–197  
combination, 286n  
comparison, 197  
criterion, 66  
illustration, 195e–196e  
improvement, 205  
increase, GSCI (impact), 70, 79  
portfolio weights,  
maximum, 67e
- Sortino ratio, relationship, 197  
standard deviation,  
replacement, 197
- Shay, Brian, 259n
- SHFE. *See* Shanghai Futures Exchange
- Shieh, Joseph C.P., 732n
- Shiller, Robert J., 947n
- Shimko, David C., 434n, 592n
- Shleifer, Andrei, 83n, 935n, 936n
- Shore, Mark S., 508n, 516n, 518n
- Shorter moving average (SMA), 914
- Short positions, analysis, 58n
- Short-run correlations,  
influence, 91
- Short-run gold demand, 741–747
- Short-run gold supply, 740–741
- Short-run momentum-based strategies,  
performance, 84
- Short-run supply curves, 105–106
- Short-term asset demand. *See* Gold
- Short-term contracts, 89
- Short-term price fluctuations, 21
- Short-term shocks, impact, 71
- Sick, Gordon, 724n
- Silber, William L., 927n
- Silverstovs, Boris, 836n, 840n
- Silver, 576, 698–700  
amount, estimation, 764  
correlation. *See* Gold  
demand, 772–773  
futures/options, 774  
investment process, 774–775  
jewelry use, 772  
market, 764e  
balance, 773–774  
demand side, 773  
fundamental analysis. *See* World silver market  
investor susceptibility, 767–768  
participants, 766–767  
mining, 699  
price, 765–770  
change, 769  
illustration, 765e  
volatility, 766  
scrap, sources, 771  
supply, 770–771
- Simin, Timothy, 441n
- Simon, Julian, 776
- Simple standard deviation,  
impact. *See* Volatility
- Singer, Hans, 359n
- Singh, Surbjeet, 769n
- Single-beta conditional equilibrium asset pricing model,  
development, 69
- Single-commodity futures,  
geometric average return, 455–456
- Single-commodity return characteristics, 466
- Single-energy hedge funds  
returns, 675  
risk/return characteristics, 677e
- Single-factor benchmarks,  
excess return/alpha determination, 281e
- Single-stock exposure, risk (absence), 565
- Size orders, placement, 404
- Skew, kurtosis (relationship), 188–194
- Skewed distribution,  
contrast. *See* Symmetric distribution
- Skewness, 189  
descriptions, 458–459  
excess kurtosis,  
relationship, 190e–191e  
exhibition, 235n  
normal distribution, 190e–191e
- Slippage control, 403  
costs, 941
- SMA. *See* Shorter moving average
- Smart money traders, 935
- Smeeton, Nigel C., 180n
- Smidt, Seymour, 393n, 910n
- Smith, Graham, 724n
- Smith, Tom, 942n
- Smithson, Charles, 614n
- Smoller, Margaret Monroe, 122n
- Smoothing device. *See* Moving averages

- SMP Buy/Sell, cashout prices (calculation), 828
- Snail trail, 671
- SND. *See* Seasonal normal demand
- Soenen, Luc, 724n
- Soft commodities, 6–7, 681, 706
  - assets, consideration, 454–455
  - sugar, correlation, 898e
- Soft winter wheat (SRW), 874
- Solar heat installations, 688
- Solar power, 688–689
  - passive use, 689
  - photovoltaic use, 688–689
  - thermal use, 688
- Solid biomass, 691
- Solt, Michael, 724n
- Song, Frank, 84n
- Sophisticated investors, 935
- Sortino ratio, 194–197, 631
  - illustration, 195e–196e
  - relationship. *See* Sharpe ratio
- Soto, Raimundo, 366n
- Soybeans, 707
  - commodity, 865
  - milling, 872
  - production, 707
  - stop-loss order, results, 918
- Spanning *F*-test, presence, 535e
- Spanning regression
  - diagnostics, 265e
- Spanning test, usage, 534
- SPCI. *See* Standard & Poor's Commodity Index
- SPDR. *See* Standard & Poor's Depository Receipt
- Special purpose vehicle (SPV), 620
  - interest-bearing investments, holding, 621
- Speculative inventories, 116
- Speculator position limit, COMEX reduction, 505–506
- Speculators (traders), 5–6
  - compensation, 48–49
- S&P/IFCG Emerging Markets, 31
- Spindt, Paul A., 615n
- Spot commodity price behavior, 336–337
  - log price change, 129–130
- Spot copper, spread, 800e
- Spot index, 464
- Spot-month contract, 229
- Spot prices
  - correlation, 362e
  - excess. *See* Forward prices
  - forecasting, 23n
  - futures prices, fair value relationship, 582
  - growth, 125
  - modeling, 336–338
  - processes, 581–582
    - comparison, 580
  - relationship. *See* Futures prices
  - series, 375
- Spot return (SR), 23n
  - comparison, 136, 137e
  - index, 27
  - series, computation, 230–231
  - volatilities, 137e
- Spot yield, roll yield (inclusion), 134–135
- Spread options, 591–593
  - exchange options, 592–593
- Sprent, Peter, 180n
- Spurgin, Richard, 269n, 270n, 276n, 279n, 483n, 493n, 517n, 650n
- SPV. *See* Special purpose vehicle
- SR. *See* Spot return
- SRW. *See* Soft winter wheat
- St. Jevons, William, 152n
  - rules, 152
- Standard deviation (SD)
  - differences, 457–458
  - impact. *See* Volatility ratio (*S*-ratio), 508
  - risk, misperception, 516–517
- Standard & Poor's, 486
  - Commodity Index, usage, 464–465, 527n
  - correlation, 298, 303
  - diversification return, 212e
  - futures contracts, 42, 43
  - S*-ratio, 516
  - Total Return Index, 64
  - volatility/variance, 671
  - investable commodity index, 556e
- Standard & Poor's Depository Receipt (SPDR), 565
- Standard & Poor's Managed Futures Index (S&P MFI), 276, 629n
- Stapledon, Geof, 618n
- State Street, StreetTracks Gold, 567e
- Stationarity, 365–370
  - evidence, 366
- Stationary variables, 100–101
- Statistical price-trend model, trading rule derivation, 926
- Steel, 705–706
- Steenkamp, Tom, 74n, 447n, 523n, 542n
- Stein, Jeremy C., 936n
- Stein, Jerome L., 925n
- Stevenson, Richard A., 918n
- Stiglitz, Joseph E., 934n
- Stochastic deflator setting, 120n
- Stochastic oscillator, 400–401
  - development, 401
  - effectiveness. *See* Trading ranges
  - indication, 401
- Stochastic processes, 579–587
  - usage. *See* Vanilla options
- Stochastic volatility, 583–584
  - models, quasi analytic solution, 584
- Stock, James H., 108n
- Stock index arbitrage, 43e
- Stocks
  - bonds, outperformance, 82
  - change (expectation), global market balances (impact), 445
  - convenience yield, relationship, 441, 444
  - copper price, comparison (scatter graph), 791e
  - decline, 214–215
  - dependence structure, 237
  - markets
    - gold prices, correlation, 747e
    - reactions, 11–12
  - monthly returns, correlations, 237e
  - inflation, impact, 239e
  - monthly total returns, summary statistics, 235e
  - performance, reversal, 82

- Stocks (*Continued*)  
 portfolio, efficient  
 frontiers, 64  
 response. *See* Crude oil  
 returns  
 returns, commodity returns  
 (contrast), 238e  
 Stocks-to-consumption ratio.  
*See* World sugar  
 market  
 Stock-to-use levels, 447–448  
 Stop-loss orders, usage, 938  
 Storable commodities, short-  
 run supply, 105  
 Storage costs, 45–46, 115  
 incurrence, 46n  
 theory, 20  
 Storage hypothesis, 20n, 21,  
 29, 440  
 coincidence, 26  
 Stoyanov, Stoyan, 473n  
 Strassmann, Fritz, 686  
 Strategic asset allocation,  
 524–533  
 Strategic mean-variance  
 efficient frontier  
 expansion, tactical timing  
 strategies (usage),  
 542–543  
 improvement, 536  
 Strategic portfolio. *See*  
 Optimal strategic  
 portfolio  
 Strategy drift, 331  
 Strategy-level risk measures,  
 415e  
 Streit, Manfred E., 926n  
 Stress tests/testing, 414  
 usage, 316  
 VaR, usage, 326–328  
 Strickland, Chris, 336n,  
 337n, 338n, 823n,  
 824n  
 Strong-form efficiency, 912  
 Structural risk premium  
 (existence), CAPM  
 framework (usage),  
 256n  
 Structured notes. *See* Gold  
 Student-*t* distribution,  
 increase, 344  
 Stulz, Rene M., 939n  
 Stumpage value, 151–152  
 Substitution effect, 505n  
 Subterminal elevators, 866–  
 867  
 Sugar, 708–709  
 agro-raw material, 708  
 average returns/risk, 900e  
 correlation, 899e. *See also*  
 Soft commodities  
 crop cycle, shortness, 809  
 investment, 898–901  
 market  
 conclusion, 905–906  
 fundamental analysis.  
*See* World sugar  
 market  
 prices, comparison. *See*  
 London white sugar  
 prices  
 production, crop usage,  
 890  
 Sugarcane (saccharum), 709  
 Sullivan, Daniel E., 802e  
 Sullivan, Ryan, 930n, 944n  
 Summers, Lawrence H.,  
 935n, 936n  
 Super cycle, 4  
 illustration, 481e  
 Super cycle  
 theory. *See* Commodity  
 supercycle theory  
 Super cycle  
 unfolding, 479  
 Supply/demand  
 disequilibrium. *See*  
 Commodity markets  
 Supply/demand imbalance.  
*See* Crude oil  
 Support/resistance, 913, 914.  
*See also* Outside Price  
 Channel  
 levels, explanation,  
 938–939  
 Surface-near geothermic heat,  
 693  
 Surplus optimization, usage,  
 525  
 Survivorship bias. *See*  
 Commodity trading  
 advisors  
 impact, 558  
 introduction, 651n  
 Swanson, Paul, 724n  
 Sweeney, Richard J., 393n  
 Swing options, 593–594. *See*  
*also* Electricity  
 Swinkels, Laruens P., 463  
 Swiss forests, impact, 163n  
 Symmetric distribution,  
 skewed distribution  
 (contrast), 458e  
 Symmetric return  
 distribution,  
 comparison, 459  
 Systematic CTAs, 298,  
 303  
 indexes, performance/  
 benchmark  
 comparisons, 301e–  
 302e  
 Systematic passive stock/  
 bond indexes, 270  
 Systematic risk (market risk),  
 10n  
 degree, 63–64  
 Systematic traders,  
 computing power/data  
 availability (increase/  
 impact), 391–392  
 Systems, term (usage), 392  
 Sznoppek, John L., 802e
- T  
 Tactical asset allocation,  
 220–224, 536–543  
 Tactical commodity timing  
 strategies, spanning,  
 543e  
 Tactical timing strategies,  
 usage. *See* Strategic  
 mean-variance  
 efficient frontier  
 Tail risk, emphasis. *See*  
 Wheat  
 Take or pay contracts. *See*  
 United Kingdom  
 Take-profit orders, usage,  
 938  
 Tanner, J. Ernest, 373n  
 Tari, Abdelkamel, 926n  
 Taylor, Simon, 280n  
 Taylor, Stephen J., 394n,  
 923n, 926n  
 Taylor series expansion,  
 usage, 611–612  
 T-bills. *See* U.S. Treasury  
 bills  
 Technical analysis, 392–394  
 defining, 909  
 empirical literature,  
 911  
 inclusion, 909  
 rules, profitability  
 (investigation),  
 392–393  
 usage, history, 910  
 usefulness, controversy,  
 911  
 Technical traders, market  
 impact/slippage costs,  
 942  
 Technical trading profits  
 empirical explanations,  
 938–944  
 evidence, 930

- explanations, 930–944  
 observation, 930–931  
 presence, 923–924  
 theoretical explanations, 934–937
- Technical trading returns  
 (significance),  
 statistical tests  
 (conducting), 923
- Technical trading rules  
 application, 924  
 genetic programming,  
 application, 929  
 riskiness, 923  
 searching, problem, 923–  
 924
- Sharpe ratios, 941
- testing, 943–944
- Technical trading systems,  
 913–917  
 parameters, selection,  
 926  
 proposals, 913
- Telpner, Joel S., 615n
- Telser, Lester G., 56n, 59n
- Terminal elevators, 866–86
- Term spread, 538
- Term structure (TS), 77–79.  
*See also* Commodities;  
 Commodity prices;  
 Futures  
 basis. *See* Commodity  
 portfolios  
 change, question, 440–441  
 convenience yield model  
 impact, 124–125  
 version, 133  
 decrease, 124  
 empirical example, 125  
 128  
 interpretation, 127e  
 relationship, 125  
 risk premium model,  
 impact, 122–124  
 slope, representation, 123  
 synthesis, 131  
 timing indicator. *See*  
 Average term  
 structure timing  
 indicator  
 TS per indicator,  
 annualized arithmetic  
 outperformance,  
 437e–438e
- Teukolsky, Saul, 341n,  
 342n
- Thailand, sugar production  
 (increase), 895
- Theil's U, usage, 373n
- Third central moment, 458–  
 459
- Thomadakis, Stavros B.,  
 117n
- Thompson, Sarahelen R.,  
 942n
- Thorley, Steven, 731n
- Three-month futures prices,  
 stationarity, 366,  
 368
- Tick, 15–16
- Till, Hilary, 20n, 21n, 30n,  
 33n, 209n, 215n,  
 432n, 434n, 441n,  
 448n, 457n, 483n,  
 511n, 542n, 664n
- Timber, 710  
 costs per unit,  
 minimization, 162
- Timber sector, theoretical  
 evidence, 145
- Time periods, analysis, 634–  
 640
- Time spreads. *See* Natural  
 gas
- Time stability, analysis,  
 635e–636e  
 correlation, 638e–639e
- Time-varying beta,  
 possibility, 489–490
- Time-varying convenience  
 yield, admission, 130
- Timmerman, Alan, 912n,  
 930n, 939n, 944n
- Tin, least traded contracts,  
 379n
- Tinker, Jonathan N., 927n
- Tint, Lawrence G., 525n
- TIPS. *See* Treasury inflation  
 protected securities
- TMVs. *See* Triple moving  
 averages
- Tokyo Commodities  
 Exchange (TOCOM),  
 720  
 silver trading, 774
- Tomeik, William G., 924n
- Total debt, interest (share),  
 165
- Total investigation period,  
 analysis, 633e
- Total MMBTU, calculation,  
 330
- Total return (TR), 177, 229  
 calculation, 27  
 indexes, 181, 194, 206n,  
 464. *See also*  
 Goldman Sachs  
 Commodity Index
- principal components  
 analysis, relationship,  
 199e  
 selection, 487e
- Total risk-based return  
 comparisons,  
 problems, 306, 309
- Toth, Thomas E., 461n,  
 465n
- TR. *See* Total return
- Trades  
 construction. *See*  
 Commodity futures  
 discovery, 406–410
- Trade-sizing, 416
- Trading cost bias, 403
- Trading model, Humphreys/  
 Shimko development,  
 434
- Trading ranges  
 break-out, 914–915  
 signals, 400–402  
 stochastic oscillators,  
 effectiveness, 402
- Trading rules, overfitting  
 (avoidance), 929–  
 930
- Trading strategy, storability/  
 feasibility, 116n
- Trading systems  
 positive net returns,  
 generation, 926  
 yield, 925
- Transparent thermal  
 insulation (TWD),  
 689
- Treasury inflation protected  
 securities (TIPS), 251–  
 253  
 monthly returns, usage,  
 252
- Trend followers, 394–398
- Trend-following portfolio,  
 return, 221–222
- Trend-less random walk,  
 usage, 917
- Trends, ex ante identification,  
 938
- Trigger  
 range, 623  
 swaps, recharacterization  
 risk (relationship). *See*  
 Commodities
- Triple moving averages  
 (TMVs), 400
- Trotter, Hale, 341n
- Trück, Stefan, 858n
- TS. *See* Term structure
- Tsochogl, Adrian, 724n

- t*-statistics  
 estimation, 95  
 Two-tailed *t*-tests, 925  
 values, indication, 233
- t*-value  
 calculation, 248e  
 null hypothesis,  
   correspondence, 535e  
   conducting, 60  
 Tully, Edel, 724n  
 Turnbull, Stuart M., 591n  
 Turvey, Calum G., 614n,  
   615n, 619n  
 Tversky, Amos, 403n, 509n  
 Tvetrás, Ragnar, 836n  
 TWD. *See* Transparent  
   thermal insulation
- Two-dimensional  
 performance  
 measures, 201
- Two-period noisy rational  
 expectations model,  
 proposal, 935
- Tzu, Lao, 395–396
- U
- UC. *See* Up closes
- Unconditional historic  
 correlation. *See*  
 Investment  
 opportunity set
- Unconditional risk premium,  
 existence (support),  
 256–257
- Underlying asset, sale, 40
- Unexpected inflation betas,  
 219e
- Unexpected roll returns,  
 219e
- United Kingdom, natural gas  
 market, 825  
 annual quantity, 230  
 arrangements, 827–829  
 baseload plants, operation,  
 834n  
 basics, 825–837  
 carbon dioxide,  
   relationship, 834–835  
 coal, relationship, 835  
 commercial consumption,  
 830  
 commodity  
   cost at risk, 841  
   relationships, 832–837  
 consumption, 830–832  
 continental gas, impact,  
 835–836  
 cross-commodity  
   correlation, 837–838
- daily gas/power returns,  
 correlation, 838e
- day-ahead gas/power  
 prices, relationship,  
 838e
- demand destruction,  
 occurrence, 832
- demand trade, 832
- direct connects, 829n
- distillate, impact, 835
- domestic consumers, 831
- domestic consumption,  
 830–832
- electricity, relationship,  
 833–834
- forward prices, 838–839
- gas day ahead price  
 development, 842e
- gas distribution shapes,  
 modeling (problems),  
 841–842
- gas forward price,  
 seasonality, 839e
- imbalance, 829
- indexes, 836–837
- industrial consumption,  
 830
- industry, 827–829  
 restructure, 827
- inter-connection  
 commissioning, 841
- landing gas, 828
- life cycle/players,  
 commonality, 833
- networks, 829
- oil, relationship, 832–833
- physical characteristics,  
 826–827
- pipelines/networks, 826
- power stations  
 burner tip, 840  
 consumption, 830  
 price cap, absence, 841  
 price structures, 837–842  
 production, 826  
 reconciliation by demand  
 (RBD), 832
- renewables obligation  
 (RO), impact, 834
- seasonal normal demand  
 (SND), relationship,  
 831
- self-consistent correlation  
 matrix, 837e
- storage, 826–827  
 arbitrage, decorelation  
 curve, 840  
 capability (linepack),  
 827
- structure/players, 827–828
- supply, institutional  
 arrangements, 829
- swing contracts, 840–841
- take or pay contracts,  
 840
- transmission system, entry  
 points (beach), 828  
 value of lost load (VOLL),  
 absence, 841–842
- volatility, 839–840
- United States Grain  
 Standards Act, 867
- Unit root tests, 367e–369e
- Univariate analysis, 231–237  
 data, 231–232  
 distributional  
   characteristics, 234–  
   235  
   risk/return characteristics,  
   232–234  
   serial correlation, 235–  
   237
- Unsystematic risk (company-  
 specific risk), 10n
- Up closes (UC), 916. *See also*  
 Average up closes
- Up/down markets,  
 correlation, 560e
- Uranium, 686–687  
 prices, impact. *See*  
 Electricity
- Uryasev, Stanislav, 471n,  
 473n
- U.S.-based futures, 175
- U.S. copper consumption,  
 784e
- U.S. dollar gold price, trade-  
 weighted dollar  
 returns (rolling  
 correlation), 728e
- U.S. equities, GSCI  
 (comparison), 514–  
 515
- U.S. gold returns/  
 correlations/volatility,  
 757e
- U.S. inflation rate,  
 comparison. *See* Gold
- U.S. Oil Fund, 567e
- U.S. Treasury bills  
 returns, 70–71, 511  
 comparisons, 306, 309
- U.S. Treasury bonds,  
 inflation rate  
 (subtraction), 101
- U.S. yearly returns. *See* Gold
- USD/EUR exchange rate,  
 comparison. *See* Gold

- V  
 Valla, Toni, 939n  
 Value assets, store, 9  
 Value-at-Risk (VaR)  
   characteristics, problems, 479  
   CVaR, contrast, 471–472  
   risk measure, 471e  
   drawbacks, 472–473  
   examination, usefulness, 413  
   risk-return optimal portfolios, difference, 472–473  
   usage. *See* Stress tests/testing  
 Valued-weighted commodity index, construction, 25  
 Value of lost load (VOLL), 841–842  
   absence. *See* United Kingdom  
 Van Horne, James C., 393n, 910n  
 Vanilla options (prices), stochastic process (usage), 579–580  
 van Santum, Ulrich, 146n  
 Varangis, Panos, 418n  
 Variable length moving averages (VMAs), 399  
 Variance, portfolio risk measure, 457–460  
 Vasey, Gary M., 660n, 662n, 664n  
 Vector autoregressive (VAR) analysis. *See* Monetary policy model  
   application, 100–101  
   coefficients, 102  
 Veld, Chris, 114n, 259n  
 Venkatramanan, Aanand, 592n  
 Vetterling, William, 341n, 342n  
 Vishny, R., 83n  
 VMAs. *See* Variable length moving averages  
 Vogel, David, 549n  
 Volatility, 186–187, 675. *See also* Local volatility adjustment, 588  
   curves  
     characteristics, 340–341  
     constant mean reversion rates, 339e  
     constant terminal volatilities, 340e  
   derivation, historical prices (usage), 345  
   function  
     excess kurtosis, modeling, 344  
     nonlinear optimization, 341–344  
   modeling, simple standard deviation (impact), 345–346  
   relationship. *See* Return strategy, 331, 333e  
 VOLL. *See* Value of lost load  
 Volume, informational role (emphasis), 935  
 von Hirschhausen, Christian, 836n, 840n  
 von Thünen, Johann Heinrich, 155n  
   impact, 154–156  
 Vorst, Ton, 591n  
 Vrugt, Evert B., 33n, 74n, 447n, 542n
- W  
 Wacker, Holger, 146n  
 Wagner, Cristof, 153n  
 Wagner, Laurie A., 302n  
 Wakeman, Lee MacDonald, 591n  
 Waldmann, Robert J., 936n  
 Walet, Kasper, 848n  
 Waller, Mark L., 942n  
 Wang, Ashley W., 597n  
 Wang, Jiang, 913n  
 Wang, Pingying, 942n  
 Waszkis, Helmut, 779e  
 Water energy, 690  
 Watkins, Clinton, 788e  
 Watson, Mark W., 108n  
 Weak form efficiency, 912  
 Weather premium, usage, 410  
 Weather risk premium, 259n  
 Weibull distribution, 653  
 Weighted dollar exchange rate, commodity prices (relationship), 107e  
 Weighted long-only approach, 83  
 Weighted principal components. *See* New York Mercantile Exchange  
 Weller, Paul A., 929n  
 Werker, Bas J.M., 534n, 542n  
 West, Kenneth D., 375n, 536n  
 WGC. *See* World Gold Council  
 Whaley, Robert E., 590n, 942n  
 Wheat, 706–707  
   commodity, 864  
   futures spread, Cootner empirical study, 407e  
   price change, Cootner example, 408e  
   price change, frequency distribution (histogram), 408e  
   production, 706–707  
   spread strategy, tail risk (emphasis), 408  
   supplies, USDA anticipation, 874  
 White, Alan, 584n  
 White, Derek, 941n  
 White, Halbert, 930n, 943n, 944n  
 White adjusted *p*-values, 250  
 White adjustment, application. *See* Heteroskedasticity  
 White correction, 253n  
 White *p*-values, indication, 253  
 Wicksell, Knut, 149n  
   terminology, 149–150  
 Wicksell-Boulding solution, 151  
 Wiener processes, impact, 581  
 Wilder, Jr., J. Welles, 913n, 915n  
 Wilkens, Sascha, 597n  
 Wilson, Arthur, 777e  
 Wilson, Robert, 858n  
 Wimschulte, Josef, 597n  
 Wind energy, 689–690  
   share, increase, 819  
 Wobbe index, 826  
 Wolf, Dorothee, 164n  
 Wolfe, Douglas A., 180n  
 Wong, Michael C.S., 725n  
 Wood, Geoffrey, 727n  
 Wood, solid biomass, 691  
 Woodard, Joshua D., 63n  
 Wood futures, seasonal hypothesis, 80  
 Woodland  
   prices, limits, 159  
   productive powers, 152–154

- Wood production, profit, 161  
 Woodward, Richard, 724n  
 Working, Holbrook, 58n, 114n, 431n  
 World Bank, IMF (collaboration), 376–377  
 World commodities futures exchange, 552e  
 World demand, impact. *See* Commodity returns  
 World GDP, comparison. *See* Gold  
 World Gold Council (WGC), 720e  
 annual demand, 716n  
 report, 715  
 World industrial production, quarterly changes, 109e  
 World silver market, fundamental analysis, 763  
 World silver production, 767–770. *See also* Cumulative world silver production/distribution  
 World stocks/bonds, negative correlation, 90–91  
 World sugar consumption, overview, 896–897  
 World sugar market  
 Advance License Scheme (ALS), 896  
 annual average sugar prices, 897e  
 Brazil, role, 891  
 demand, 895–896  
 fundamental analysis, 888  
 investment process, 904–905  
 prices  
 forecasting, 888–898  
 gauge, 890  
 impact, 892  
 seasonality, 897–898  
 stock-to-consumption ratio, 896, 897e  
 supply, estimation, 889–890  
 weather conditions, impact, 889  
 World sugar prices, crude oil prices (relationship), 902e  
 production, overview, 891–896  
 World Trade Organization (WTO), sugar ruling, 893–894  
 Worst-case loss, examination, 413, 414  
 portfolio event risk, incremental contribution, 414  
 Worst-equity market months, isolation, 214–215  
 Wright, Robert E., 723n, 724n, 726n, 739n, 744n  
 WTI crude, 136  
 WTO. *See* World Trade Organization  
 Wu, Guojun, 473n  
 X  
 XAU. *See* Gold silver platinum mining companies  
 Xiao, Yoram, 473n  
 XOI. *See* Oil producing/service companies  
 Y  
 Yen/dollar exchange rate, futures contract, 44  
 Yield, return component, 133n  
 Yuen, M.C., 556n  
 Z  
 Zhou, Su, 723n  
 Zimmermann, Heinz, 608n  
 Zinc, 703–704  
 occurrence, 704  
 usage, 782–783  
 Zogg-Wetter, Claudia, 608e  
 Z-statistic, 407  
 Zulauf, Carl R., 58n, 372n, 627n, 927n