



## Contributing Editor's Letter

Dear Reader,

My colleagues and I are happy to present the Fall 2016 issue of the [Global Commodities Applied Research Digest \(GCARD\)](#) to you. For the benefit of the GCARD's practitioner readership, we have pulled together insights from the following J.P. Morgan Center for Commodities' (JPMCC's) sources: (a) its [Research Council membership](#); (b) the presentations at the Research Council meetings; (c) the JPMCC's [Global Commodity Issues \[Editor's Choice\]](#) eJournal; and (d) the [GCARD's Editorial Advisory Board membership](#). The expertise and diversity of these sources result in the GCARD being able to further the JPMCC's goal in becoming the focal point of highly relevant commodities thought-leadership.

### Welcome to Dean Rohan Christie-David, Ph.D.

In this letter, I will discuss the content of the current issue as well as provide a preview of the next issue's articles, too. But first, all of us at the JPMCC are delighted to welcome the new Dean to the University of Colorado Denver Business School, Dr. Rohan Christie-David! [Dr. Christie-David joined the Business School on August 1, 2016](#). He has specialized in the areas of banking, derivatives, and market microstructure. Dr. Christie-David's published work includes jointly published articles in the *Journal of Futures Markets*, the *Review of Futures Markets*, the *Journal of Banking and Finance*, and in the *Journal of Regulatory Economics*. Regarding the University of Colorado Denver Business School, Dr. Christie-David has observed that it "has great potential for growth and excellence." The Provost of the University of Colorado Denver, Roderick Nairn, noted that he is "excited to have someone of Dr. Christie-David's caliber joining the ranks of CU Denver's leadership team." At the GCARD, we are, too!



Dean Rohan Christie-David welcomed the JPMCC's Research Council to its September 30, 2016 meeting. The September meeting was the Council's third meeting since its inception in April 2015. This particular meeting included panel sessions on commodity supply chain management and emissions trading. Dean Christie-David noted that it was wonderful to meet so many of the researchers, who are well known in the commodities academic literature, during the Council's morning session.

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### Content for the Fall 2016 Issue

This issue of the *GCARD* mainly consists of the following 6 sections: (1) the Research Council Corner; (2) the Contributing Editor's Collection; (3) the Research Digest summary; (4) Reports on the Research Council Meetings; (5) the Editorial Advisory Board Commentary; and (6) an Interview with a Thought Leader in Commodities. We have also included two sections, which introduce readers to two other activities at the JPMCC: (a) the *Global Commodity Issues [Editor's Choice]* eJournal and (b) the Center's Professional Education offerings.

In the **Research Council Corner**, our authors separately highlight the impact of complex weather patterns and large macro policy decisions on both commodity prices and economic growth. In the former case, Dr. Bluford Putnam of the CME Group generously contributes his expertise for the benefit of *GCARD's* readers while in the latter case, Mr. Colin Fenton of Blacklight Research LLC excerpts from his "Great Suppression" thesis. Both Dr. Putnam and Mr. Fenton are members of the JPMCC's Research Council.



The **Contributing Editor's Collection** of digest articles includes practitioner insights that span the energy, agricultural, and metals sectors. The collection specifically consists of four articles, which variously cover the gasoline, copper, corn, natural gas, uranium, and crude oil markets.

In the **Research Digest Article**, Dr. Keith Black of the CAIA Association summarizes a scholarly paper on the demand for industrial metals in China. Dr. Black is also an Editorial Advisory Board member of the *GCARD*. We are grateful to Dr. Black for his highly accessible digest article on one aspect of China's demand for copper: the need for credible collateral for loans. Interestingly, at the J.P. Morgan Center for Commodities' inaugural April 2015 Research Council meeting, one of the Council's agricultural experts had noted that soybean inventories in China may have also been used as collateral for financing other entrepreneurial activities. The driver for soybean demand in that case would not have been food demand. That said, in future issues of the *GCARD*, we will also include articles on the "real" demand for commodities in China, given the concerns in that country "with the basic necessities of life [such as] power, water, metals, [and] energy," as stated by Mr. Robert Gray, CFA, of Resource Capital Funds during the JPMCC's April 2015 Research Council meeting.

The **Reports on the Research Council Meetings** section includes two summaries from the December 2015 Research Council meeting's presentations, namely (1) a case study on Olam International, which is a leading agri-business that operates in 70 countries; and (2) a lecture on the relative importance of fracking, China, and geopolitics in determining the price of oil. The case study on Olam International was provided by Dr. Forest Reinhardt of Harvard Business School while the lecture on crude oil prices was given by Dr. James Hamilton of the University of California, San Diego. Both Professor Reinhardt and Professor Hamilton are members of the JPMCC's Research Council. The next issue of the *GCARD* will include a report on the September 30, 2016 JPMCC Research Council meeting.



Professor Vince Kaminski, Ph.D., of Rice University, provided a lecture on the involvement of financial institutions in the commodity markets at the JPMCC's Research Council meeting on September 30, 2016. Professor Kaminski is a member of the JPMCC's Research Council. His presentation will be covered in the Spring 2017 issue of the *GCARD*.

In the **Editorial Advisory Board Commentary**, both myself and *GCARD* Editorial Advisory Board member, Jan-Hein Jesse, discuss "Swing Oil Production and the Role of Credit." This article benefited from comments by Thorvin Anderson, also an Editorial Advisory Board member of the *GCARD*. This commentary argues that advances in well-production estimation techniques naturally led to an explosion of creative financing solutions for investing in shale (tight oil) production. As a result, the appetite of credit markets for taking on shale-production risk became a key driver for the outlook for North American oil production. But can North American shale producers be considered the new swing oil producers? The article concludes that the answer is perhaps yes, but only imperfectly so, given that it may take up to 12 months for fairly uniform production decisions to be made. More precisely, one can be "confident about ... US tight oil production ... [becoming] the marginal [oil] producer. That's because it's the high-cost producer," as stated by JPMCC Research Council member, Professor James Hamilton, during his December 2015 presentation to the Research Council.

In the first issue of the *GCARD*, we interviewed Professor Colin Carter of the University of California, Davis, and Chair of the JPMCC's Research Council. In this issue's **Interview with a Thought Leader in**



**Commodities**, we have the privilege of interviewing Professor Emeritus Margaret Slade of the University of British Columbia. Dr. Slade is also the Co-Chair of the JPMCC's Research Council. She discusses what motivated her to become the Co-Chair of the Council, and she also summarizes the key findings of her recently published research work.

### **Preview of Spring 2017 Issue**

Amongst the next issue's content, we will be highlighting articles from the *GCARD's* Editorial Advisory Board members, covering the following topics: (1) Oil (by Ebele Kemery of J.P. Morgan Asset Management); (2) Natural Gas (by Peter O'Neill, CFA, of Uniper Global Commodities North America, a wholly-owned subsidiary of E.ON); and (3) Gold (by Professor Fergal O'Connor, Ph.D., of York St John University (UK).) In addition, Anne-Sophie Corbeau will be contributing a digest article on liquid natural gas for the forthcoming issue. Ms. Corbeau is a Research Fellow at KAPSARC (Saudi Arabia.)

Both my colleagues at the JPMCC and I welcome feedback from *GCARD's* readers on what future topics we should cover in the exciting and always dynamic field of commodities!

Best Regards,

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