



Update from the Research Director of the J.P. Morgan Center for Commodities

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Dr. Jian Yang, Ph.D., CFA, J.P. Morgan Endowed Chair and JPMCC Research Director, speaking at a JPMCC international commodities symposium.

In this report, the research director will provide updates about recent JPMCC research activities from October 2021 through March 2022.

Closer Collaboration with the World Bank on Applied Commodity Research

In mid-December 2021, the JPMCC research director was invited to participate as a discussant in the seminar titled, “From Quantities to Prices: Commodity Price Cycles and Their Determinants,” by the Prospects Group at the World Bank. The discussion was primarily focused on a chapter on commodity markets in the January 2022 edition of *Global Economic Prospects*, the World Bank’s flagship publication. The seminar also covered a related policy research working paper by the World Bank.

In late February 2022, the JPMCC research director was invited to participate as one of three panelists in a commodity market outlook webinar, jointly organized by the Policy Center for the New South in Morocco



and the World Bank. The main presentation was made by Dr. John Baffes, who heads the Commodities Unit and is in charge of the *Commodity Markets Outlook* at the World Bank. The event was moderated by Dr. Otaviano Canuto, a former Vice President at the World Bank, and livestreamed in Youtube, Twitter and Facebook. Dr. Baffes is also a [Research Council member](#) of the JPMCC and an [Editorial Advisory Board member](#) of the JPMCC's *Global Commodities Applied Research Digest*.

A Study Investigating the Price Discovery Function of China's Crude Oil Futures

In the mid-December 2021, the research director also made a keynote speech at the Symposium on Commodity Market Development and Risk Management, which was hosted by Hunan University in China. The keynote speech was based on the research paper titled, "Price Discovery in China's Crude Oil Futures Markets: An Emerging Asian Benchmark?". Some of the main findings were also exclusively featured in a media article in English published by *Yicai Global*, in addition to some media exposure in Chinese.

Briefly speaking, while there has been some skepticism about the functioning of China's INE (*i.e.*, Shanghai International Energy Exchange) crude oil futures contracts, evidence shows that China's crude oil futures market did perform the price discovery function reasonably well for major oil spot prices in Asia. There was a long-run relationship between China's INE futures price and each of the original seven deliverable spot crude oil prices. Each of the deliverable crude spot prices and the INE crude oil futures price reacted to each other in the long run. Nevertheless, there is still much room for the improvement of the price discovery function of the INE crude futures. In particular, the deliverable spot prices still played a more important role than the INE crude oil futures price in the price discovery process. The degree of influence of spot prices on the INE futures prices increases significantly over time, explaining about 2/3 of the INE futures prices at a monthly time horizon.

On a related note, the JPMCC research director was also recently notified by Wiley that the director's first research project on China's crude oil futures contracts, which was published in the *Journal of Futures Markets* in 2020, was "[a top cited article](#)" for the journal during 2020-2021; as of March 2022, the article was the No. 1 most cited with 14 Social Sciences Citation Index/Science Citation Index (SSCI/SCI) citations. This article was also included with a brief summary of research findings in the 2022 annual development report of the Shanghai International Energy Exchange (INE).

Media Interviews on Commodity Prices and Inflation

In early February 2022, the research director shared his viewpoint with the Marketplace program, which has 14 million audience (plus another 7 million via digital platform) every week and is produced by the second largest public radio producer in the U.S., the American Public Media. A main point was that more inflation would be on the way rather than being transitory, pushed by rising commodity prices. The important role of energy prices was also underscored.

In mid-February 2022, the research director expressed the serious concern that the rising U.S. inflation rate could challenge the U.S. economy down the road. It was featured in a weekly headline article prepared by the editor-in-chief of *Yahoo! Finance* (which is reported to have monthly audience of about 270 million in December 2021.) The article captured much attention and had more than 1,000 comments



by the readers on the website, and it was also shared by others in social media (e.g., Facebook, Reddit, Twitter, LinkedIn.) As a caveat, only part of the interview was featured in the article.

The 5th Annual International Commodities Symposium in 2022

The JPMCC held the [5th annual international symposium](#) at the University of Colorado Denver Business School, which took place in a hybrid format (both in person and virtually on the Zoom) from August 15 through August 16, 2022. The “Research Director Report” in the Winter 2022 edition of the *GCARD* will cover the symposium in depth. In addition, the *Journal of Futures Markets (JFM)* will continue to sponsor a special issue for the 2022 JPMCC symposium, under the new editorship of Professor Bart Frijns in Netherlands. (The *JFM* special issue on the 2021 symposium was also published in May 2022). For the August 2022 symposium, we received dozens of paper submissions from researchers in (at least) twelve countries, including Canada, Chile, China, France, Germany, Greece, India, Norway, Spain, Switzerland, the U.K., and the U.S. (in alphabetical order). A partial listing of author affiliations includes Cambridge (Judge Business School), Columbia, Tsinghua, Peking University, and University of California, Berkeley (again in alphabetical order), along with various policy institutions (e.g., the International Monetary Fund, the United Nations Conference on Trade and Development (UNCTAD), the U.S. Federal Reserve Board, and the Bank of Canada).

Like the 4th symposium in 2021, the JPMCC executive director, Dr. Tom Brady, was the co-organizer for the 2022 symposium and took the lead in organizing the program of industry panels. Erica Hyman, the JPMCC’s Assistant Director, served as the coordinator for the symposium.

Conclusion

While we are apparently seeing the light at the end of the tunnel, COVID-19 has greatly impacted each of us, including the format of working modes and conference gatherings. Despite the challenges, we were happy to see so many of you in person at our 2022 symposium. We wish everyone a healthy and safe rest of your summer!

Best Regards,

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