



## Contributing Editor's Letter

### By Hilary Till

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Hilary Till, M.Sc. (Statistics), Solich Scholar, J.P. Morgan Center for Commodities (JPMCC) at the University of Colorado Denver Business School, presenting on the *Global Commodities Applied Research Digest* at the JPMCC's Research Council meeting on December 4, 2015. Ms. Till is the Contributing Editor of the *GCARD*.

Dear Reader,

My colleagues and I at the University of Colorado Denver Business School's J.P. Morgan Center for Commodities are delighted to launch the inaugural issue of the *Global Commodities Applied Research Digest (GCARD)*. We are grateful to the CME Group Foundation for its generous support in making this project possible.



In summary, the aim of the digest is to serve the J.P. Morgan Center's applied research mission by informing commodity-industry practitioners on innovative research that will either directly impact their businesses or will impact public policy in the near future.

At present, we would argue that for practitioners, there is not an accessible source of concise information about current research across commodity segments, so we are excited about the potential for the Center's bi-annual applied research digest.

As a result, the selection of articles is based on how relevant articles are to the concerns of professionals engaged in the business of commodities. An additional goal is to encourage dialog amongst stakeholders in the various commodity disciplines.

For our first issue, we have assembled insights from across the diverse field of commodities, including from members of both the JPMCC's prestigious [Research Council](#) and the GCARD's own accomplished [Editorial Advisory Board](#), as well as from academic content in the JPMCC's [Global Commodity Issues \(Editor's Choice\)](#) eJournal.

We have included a diverse set of topics from across commodity industry segments in order to present as comprehensive a picture of commodity research as possible. The eight main sections of the GCARD are as follows.

The **Research Council Corner** includes contributions from the following members of the JPMCC's Research Council: Dr. Thomas Brady, Ph.D., of the Newmont Mining Corporation; Dr. Bluford Putnam, Ph.D., of the CME Group; and Dr. Marcelle Arak, Ph.D., of the University of Colorado Denver Business School. Dr. Arak's paper is co-authored with Ms. Sheila Tschinkel, Visiting Faculty in Economics at Emory University, Atlanta. Dr. Brady discusses both the direct and *indirect* benefits of mining to host countries while Dr. Putnam provides his outlook for the oil markets in 2016. In future issues of the GCARD, Dr. Putnam will author a regular column entitled, "The Economist's Edge." Dr. Putnam's article is followed by a contribution from Dr. Arak and Ms. Tschinkel, whose paper concisely describes a framework for understanding the sharp drop in crude oil prices. Their framework is based on the following two factors: (1) the implications of crude oil's low short-run price elasticity of demand and (2) the present impediments to a core group of swing producers cooperating to restrict production.



Dr. Thomas Brady (middle), Newmont Mining Corporation, with Professor Ajeyo Banerjee (left), Executive and Faculty Director of the JPMCC; and Professor Graham Davis (right), Colorado School of Mines.

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In the **Contributing Editor's Collection** of Digest Articles, we provide answers to the following four questions, which are of interest to commodity traders: (1) When has OPEC spare capacity mattered for oil prices? (2) What are the sources of return for CTAs and commodity indices? (3) What are the risk-management lessons from high-profile commodity derivatives debacles? (4) What determines whether commodity futures contracts succeed or not?

The **Research Digest Articles** section concisely covers academic research on (1) metals hedging; (2) energy policy; (3) the logistical planning of a grain-trading firm; (4) commodity pricing; and (5) the development of commodity exchanges in emerging markets.



**The Reports on the Research Council Meetings** section summarizes insightful academic and practitioner presentations that took place at the JPMCC regarding past grain price spikes. Future issues of the *GCARD* will report on the highlights of Research Council panels that have focused on metals-and-mining, energy, commodity finance, and on renewable energy.



Mr. Robert Gray, CFA, Resource Capital Funds, and member of the JPMCC's Research Council, providing feedback on an academic paper on April 18, 2015. One of Mr. Gray's insights will be covered in the Fall 2016 issue of the *GCARD*.

In the **Professional Education Update**, Andy Hecht argues that well-designed commodity education programs can potentially be of great benefit to universities, their students, and to future employers in the commodity industry. Mr. Hecht is the Chief Market Strategist for both Carden Capital and Carden Futures. He is also a [Subject Matter Expert](#) in the JPMCC's [Professional Education Program](#).



The **Scholar Section** features a contribution from Robert Greer, who was recently appointed as a Scholar in Residence at the JPMCC and was previously an executive vice president and the real-return product manager at PIMCO. Mr. Greer discusses the “rebalancing return,” which can be a substantial addition to a commodity portfolio’s returns. He was the “first commentator to define the concept of an investable commodity index in an article published in the *Journal of Portfolio Management* in 1978,” noted *HedgeFund Intelligence* in 2010. So we are very glad that Mr. Greer can continue his tradition of “firsts” by writing for our first issue!



Mr. Robert Greer (left), Scholar in Residence at the JPMCC, and Professor James Hamilton (right), University of California, San Diego, at the JPMCC’s Research Council meeting on December 4, 2015.

In the **Editorial Advisory Board Commentaries** section, we are pleased that two board members have contributed their expertise on the following two opaque subjects that, nonetheless, underpin successful commodity trading: Jan-Hein Jesse explains the interplay of existing and emerging oil benchmarks in determining global oil price discovery; and Richard Heckinger explains the complex lessons from the failure of the futures broker, MF Global. Mr. Jesse is the founder of JOSCO Energy Finance and Strategy Consultancy, Amsterdam, and is also an international expert for the International Energy Agency, Paris while Mr. Heckinger is an Associate Editor of the *Journal of Financial Market Infrastructures*, in addition to serving as a member of the Working Group on Financial Markets for the Federal Reserve Bank of Chicago.



This issue's concluding article is an **Interview with a Thought Leader in Commodities**. In this article, we have the privilege of briefly discussing with Professor Colin A. Carter, University of California, Davis, what encouraged him to become the Chair of the JPMCC's Research Council along with what his current research interests are across the agricultural commodity arena.

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On a personal note, I have always enjoyed the commodity markets as an active participant. These markets are like a big tent that comfortably encompasses a wide variety of talented professionals and includes, for example, global-macro strategists, street-smart practitioners, careful fiduciaries as well as brilliant quants, many of whom I have worked with in the past. In creating the first issue of the *GCARD*, I have been delighted to stretch the boundaries of this big tent even further to include influential policy advisors and distinguished academics. I hope to include you, our readers, in this project: I welcome your suggestions on how we can best provide highly relevant insights to commodity practitioners and policymakers in this extremely dynamic field!

Best Regards,

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