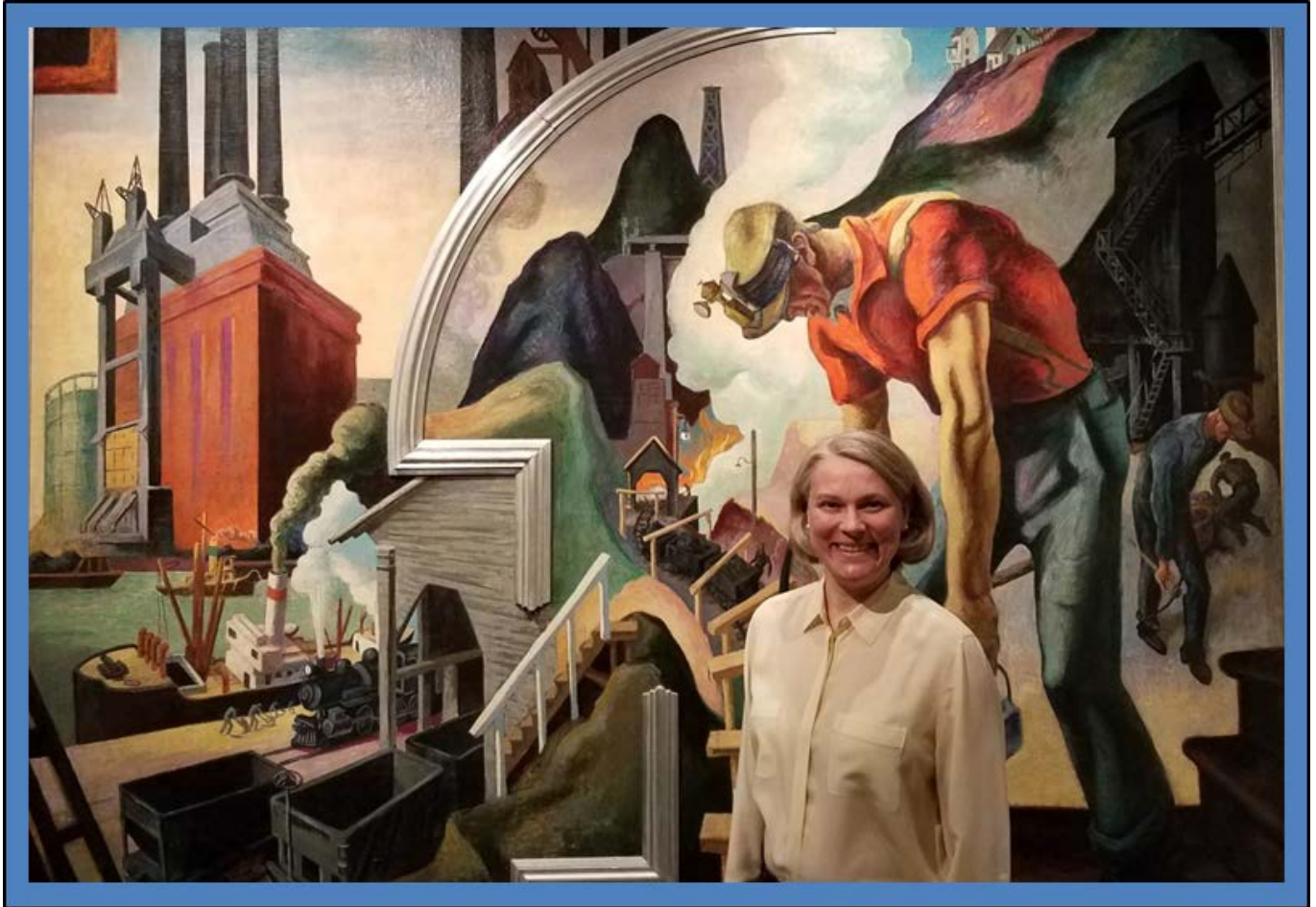




Contributing Editor's Letter

By Hilary Till

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Hilary Till, M.Sc. (Statistics), Solich Scholar, J.P. Morgan Center for Commodities at the University of Colorado Denver Business School, standing in front of the artwork that is the basis of the *GCARD*'s Spring 2017 cover. This commodity-themed artwork is located at The Metropolitan Museum of Art in New York City and is from Thomas Hart Benton's 1930-1931 set of panels entitled, "America Today." Ms. Till is also the Contributing Editor of the *GCARD*.

Dear Reader,

My colleagues and I are pleased to present this comprehensive view of the commodity markets to you. We have brought together timely insights from the J.P. Morgan Center for Commodities' (JPMCC's) Research Council and also from the *GCARD*'s Editorial Advisory Board, which collectively illustrate the JPMCC's deep bench of commodity expertise.



During the December 4, 2015 Research Council meeting, **Thorvin Anderson, CFA**, (left), Content Director, “Foundations for Commodities” Professional Education Program, JPMCC, in discussion with Professor Graham Davis (middle), Colorado School of Mines, and Dr. Robert Vigfusson (right), Chief, Trade and Quantitative Studies Section, International Finance, Board of Governors of the Federal Reserve System (Washington, D.C.) All are members of the JPMCC’s Research Council. Mr. Anderson contributed the article, “Small-Scale Electricity Storage: Future or Folly?”, to this issue of the *GCARD*. Mr. Anderson’s article, in turn, is based on his September 30, 2016 presentation to the JPMCC’s Research Council. In addition to his multifaceted role at the JPMCC, Mr. Anderson is also the president of Razor Commodity Advisors, LLC.

This issue of the *GCARD* is divided into the following eight sections: (1) the Research Council Corner, (2) the Contributing Editor’s Collection, (3) the Research Digest Articles section, (4) the Reports on the Research Council Meetings, (5) the Editorial Advisory Board Commentaries, (6) an Industry Commentary, (7) a Commodity Education Perspective, and (8) an Interview with a Thought Leader in Commodities. Each of these sections is summarized below. Of note is that the JPMCC’s Research Council meetings are exclusive events, so I am delighted that three of the presenters from the September 30, 2016 meeting agreed to make their presentations available to a much wider audience through articles in the “Reports on the Research Council Meetings” section of the Spring 2017 *GCARD*. We have also included a concluding section on the JPMCC’s upcoming “New Directions in Commodities Research” conference, which is being co-organized by Ajeyo Banerjee, Ph.D., Associate Professor of Finance and Risk Management, Executive & Faculty Director, JPMCC and by Graham Davis, Ph.D., Professor of Economics, Colorado School of Mines and member of the JPMCC’s Research Council.



During the JPMCC's September 30, 2016 Research Council meeting, **Professor Nikos Nomikos** (left), Cass Business School, City, University of London (U.K.), in discussion with Professor Lutz Kilian (right), University of Michigan, Ann Arbor. Both are members of the JPMCC's Research Council. Professor Kilian will be a keynote speaker at the JPMCC's international commodity symposium, "New Directions in Commodity Research," in August 2017. Professor Nomikos contributed the article, "Asset Valuation and Market Expectations in Dry Bulk Shipping," to this issue of the *GCARD*. Professor Nomikos' article, in turn, is based on his September 30, 2016 presentation to the JPMCC's Research Council.

In this issue's **Research Council Corner**, our authors separately discuss the prospects for gold volatility and the interpretation of the current state of the oil market from price indicators. In the former case, Dr. Bluford Putnam of the CME Group discusses the fundamental factors that will likely impact gold prices this year. In the latter case, Professor Ehud Ronn of the University of Texas at Austin reviews both the level of spot oil prices and the implied volatility of crude oil futures prices over time and describes the varying "message from [the] markets." Both Dr. Putnam and Professor Ronn are members of the JPMCC's Research Council.

The **Contributing Editor's Collection** of digest articles covers the commodity derivatives markets from a broadly conceptual perspective, but also includes concrete examples from the live cattle, gasoline, coffee, grain, natural gas, and crude oil markets.



In the **Research Digest Articles** section, Professor Ana-Maria Fuertes of Cass Business School, City, University of London (U.K.) summarizes two scholarly papers. Professor Fuertes is also an Editorial Advisory Board member of the *GCARD*. Dr. Fuertes provides accessible interpretations of two theoretical papers, which cover (1) the diversification benefits of commodities, and (2) the question of whether idiosyncratic volatility is a specifically rewarded risk factor in the commodity futures markets. The authors of the commodity diversification paper, in turn, were recipients of one of the JPMCC's 2016 Commodities Research Fellowship Awards.



Mr. Steffen Hammer, Vice President, Corporate Purchasing, of Robert Bosch GmbH (Germany) presenting at the JPMCC's September 30, 2016 Research Council meeting. Mr. Hammer's colleague at the Bosch Group, **Sven Streitmayer**, is a member of the JPMCC's Research Council. Mr. Streitmayer contributed the article, "Emerging Challenges for Commodity Risk Managers from an Industrial Consumer's Standpoint," to this issue of the *GCARD*. Mr. Streitmayer's article, in turn, is based on the similarly themed September 30, 2016 Bosch Group presentation to the JPMCC's Research Council.

The **Reports on the Research Council Meetings** section includes the following three articles from Research Council members who presented at the Council's September 30, 2016 meeting: (1) an exposition on the economic viability of small-scale electricity-storage technology, (2) an overview on dry-bulk shipping economics, and (3) a discussion of risk-management insights from a large-scale industrial commodity consumer. This section's authors are respectively as follows: (1) Mr. Thorvin Anderson, CFA, of the JPMCC, (2) Professor Nikos Nomikos of Cass Business School, City, University of



London (U.K.), and (3) Mr. Sven Streitmayer of Robert Bosch GmbH (Germany). Dr. Ajeyo Banerjee, Executive & Faculty Director, JPMCC, had organized the September 30, 2016 Research Council meeting, and I gratefully acknowledge that Dr. Banerjee recruited this section's authors to share their respective expertise for this issue of the *GCARD*.

In the **Editorial Advisory Board (EAB) Commentaries**, four EAB members have contributed articles on the following topics: (1) futures trading strategies, (2) shale oil, (3) gold, and (4) the Texas power markets. Briefly summarizing each article, both myself and EAB member, Joseph Eagleeye, discuss the most common strategies employed by futures traders, namely: trend-following and calendar-spread trading. Ms. Ebele Kemery of J.P. Morgan Asset Management covers the current prospects for the highly resilient American shale oil industry while Dr. Fergal O'Connor of the University of York (U.K.) examines whether gold has been a reliable inflation hedge for U.S. dollar-based investors over lengthy periods of time. The concluding article of this section is by Peter O'Neill, CFA, of Uniper Global Commodities North America, E.ON. Mr. O'Neill reviews the lessons learned from a time of extreme price moves in the Texas power markets during the summer of 2015.

The **Industry Commentary** article covers the dramatic changes in the Liquefied Natural Gas markets. Anne-Sophie Corbeau of KAPSARC (Saudi Arabia) discusses the consequences of the largest increase in LNG capacity ever.

A Subject Matter Expert from the JPMCC's Professional Education program provides a **Commodity Education Perspective**. Specifically, Andy Hecht prepares readers and students for the vast changes to come in the commodity markets due to (1) the new presidential administration, and (2) the potential for energy independence in the U.S.

In this issue's **Interview with a Thought Leader in Commodities**, we have the immense privilege of interviewing Professor Vince Kaminski of Rice University and an inaugural member of the JPMCC's Research Council. Professor Kaminski describes the value that the JPMCC can potentially bring to commodity market participants, and he also summarizes his September 30, 2016 Research Council presentation on the involvement of financial institutions in the commodity markets.

As you read through this issue of the *GCARD*, we hope you will share our enthusiasm for the commodity markets in its many complex manifestations. As always, we welcome your feedback regarding new topics and markets that we should cover in future issues of the *GCARD*!

Best Regards,

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