

ARE 415 - Introduction to Commodity Futures Markets
Spring 2018

(1/1/18)

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Course website: <https://are415.wordpress.ncsu.edu>

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Class meets: Tuesdays and Thursdays 10:15 – 11:30
Gardner 3214

Office hours: By appointment. Talk to us in class or send an e-mail.

Course description:

An economic introduction to futures and options contracts and exchanges, with primary focus on agricultural and natural resource commodities. Topics covered include: futures exchanges and the institutions that facilitate trade; historical development and importance of the markets today; managing commodity price risk for sellers and buyers through hedging with futures and options; basis risk; the role of futures markets in price discovery; price relationships in grain and livestock markets; speculation and hedging; financial futures—currencies, stock indexes, and interest rates.

Prerequisite: A principles of economics course such as EC/ARE 201 or 205

Required texts: *The Wall Street Journal* – \$15 student subscription for the semester

Importer Manual (U.S. Grains Council), available at:
<http://www.grains.org/buyingselling/importer-manual>
Also available on the class web site.

Your grade will be determined by an evaluation of your performance in the following categories:

Homework: 20%
Contribution to class discussion: 20%
Term project: 20%
Two Midterm exams: 20% each

Midterm dates:

Midterm 1: Thursday February 15th
Midterm 2: Thursday April 12th

- I. The Nature of Futures Markets
 - A. Futures Contracts and Exchanges
 - B. Historical Development and Regulation
 - C. The Mechanics of Futures Trading
brokers, margins, delivery, short and long positions, marking to market
- II. Market Mechanics
contract specifications, open outcry and electronic platforms, the clearinghouse
- III. Hedging with Futures
- IV. Option contracts
 - A. Calls and puts, measures of volatility
 - B. Hedging with options
- V. Price Patterns
 - A. storable and perishable commodities, patterns induced by annual harvests
 - B. basis and convergence
 - C. Cross-commodity relationships: the soybean complex, cattle contracts, the crack spread
- VI. Financial futures
exchange rates, stock price indexes, interest rates
- VII. Fundamental and Technical Analysis