

Financialization of the commodity future markets through factor models

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The present paper aims to verify whether factor models are able to capture the financialization phenomenon of commodity markets. We compare the models with one and two-factors in the periods before and during the financialization. If these type of models are sensitive to financialization, the convenience yield factor will be less relevant or even non-significant in the financialization period. In this case the one-factor model will be more appropriate to fit data on future markets meaning a great simplification in the market analysis.

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