

# WIFO

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## Trading Practices and Price Dynamics in Commodity Markets

Stephan Schulmeister

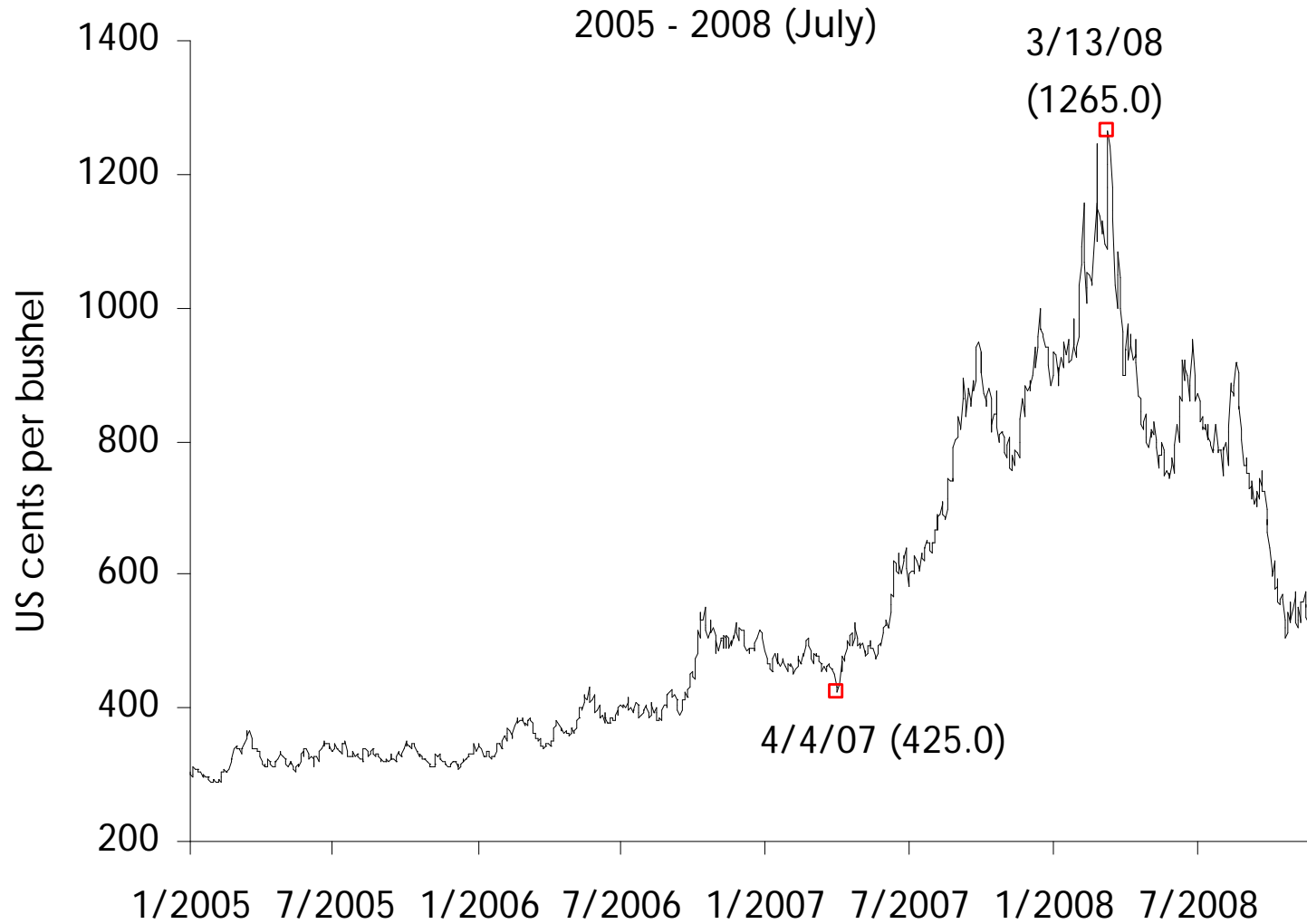
Syngenta & ELO conference on food & environmental security

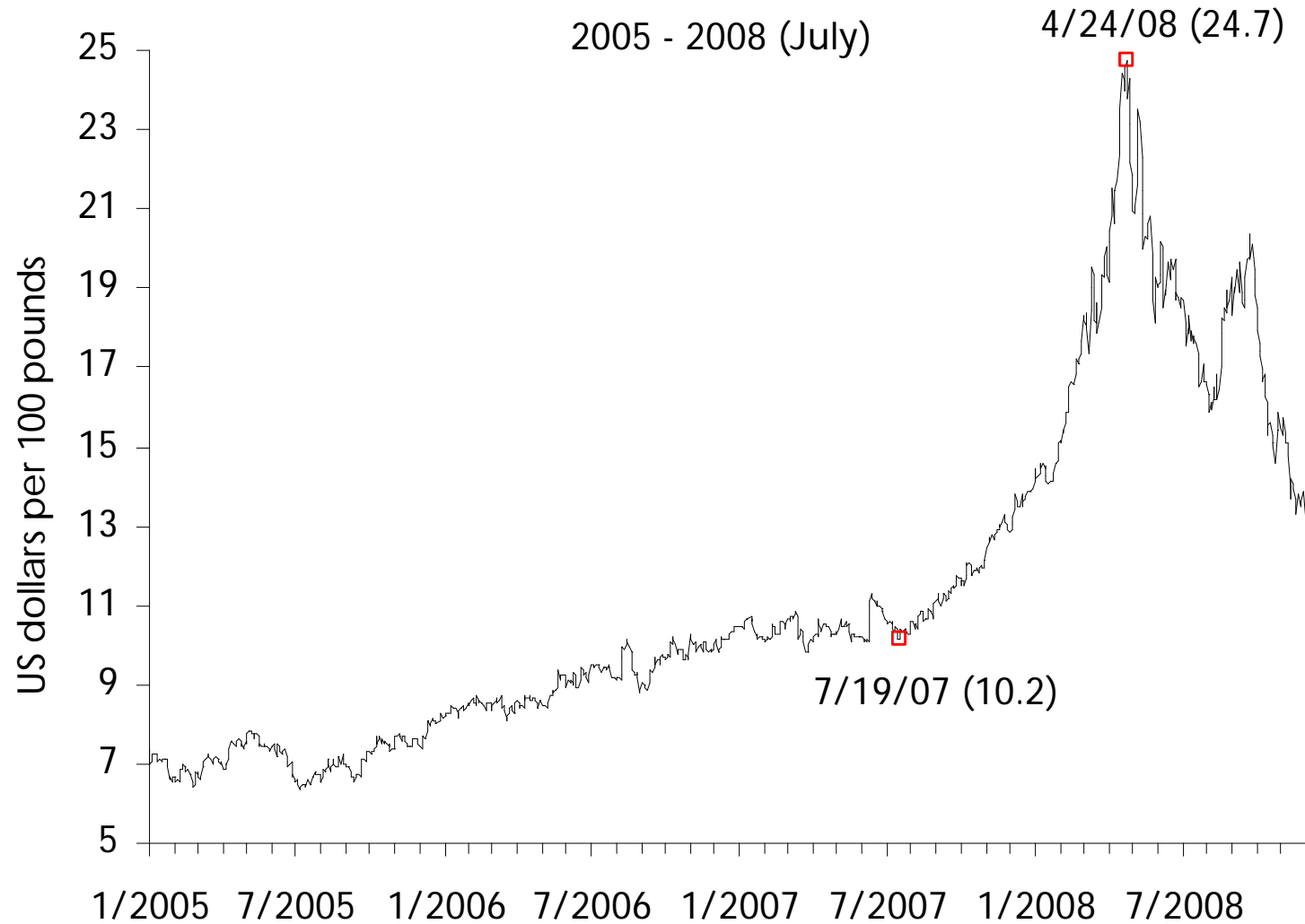
Brussels, March 18th, 2009

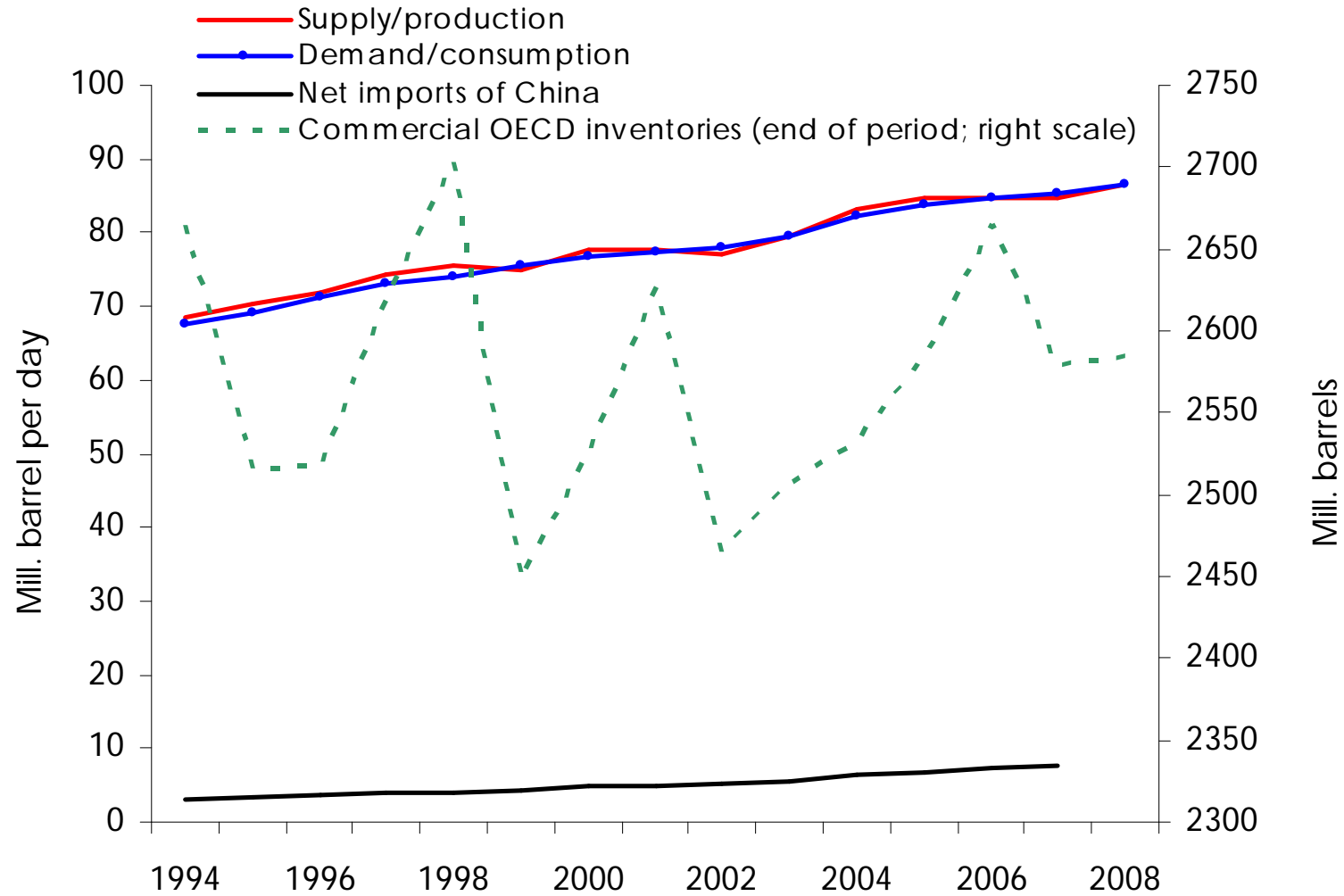
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- Dynamic epicenter of the current crisis:
  - Devaluation process of stock, housing and commodity wealth
  - Coincidence of three "bear markets" (as 1929-1933)
  - "Built up" during the preceding "bull markets"  
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  - Long swings in asset prices >
  - Outcome of "trading as usual"

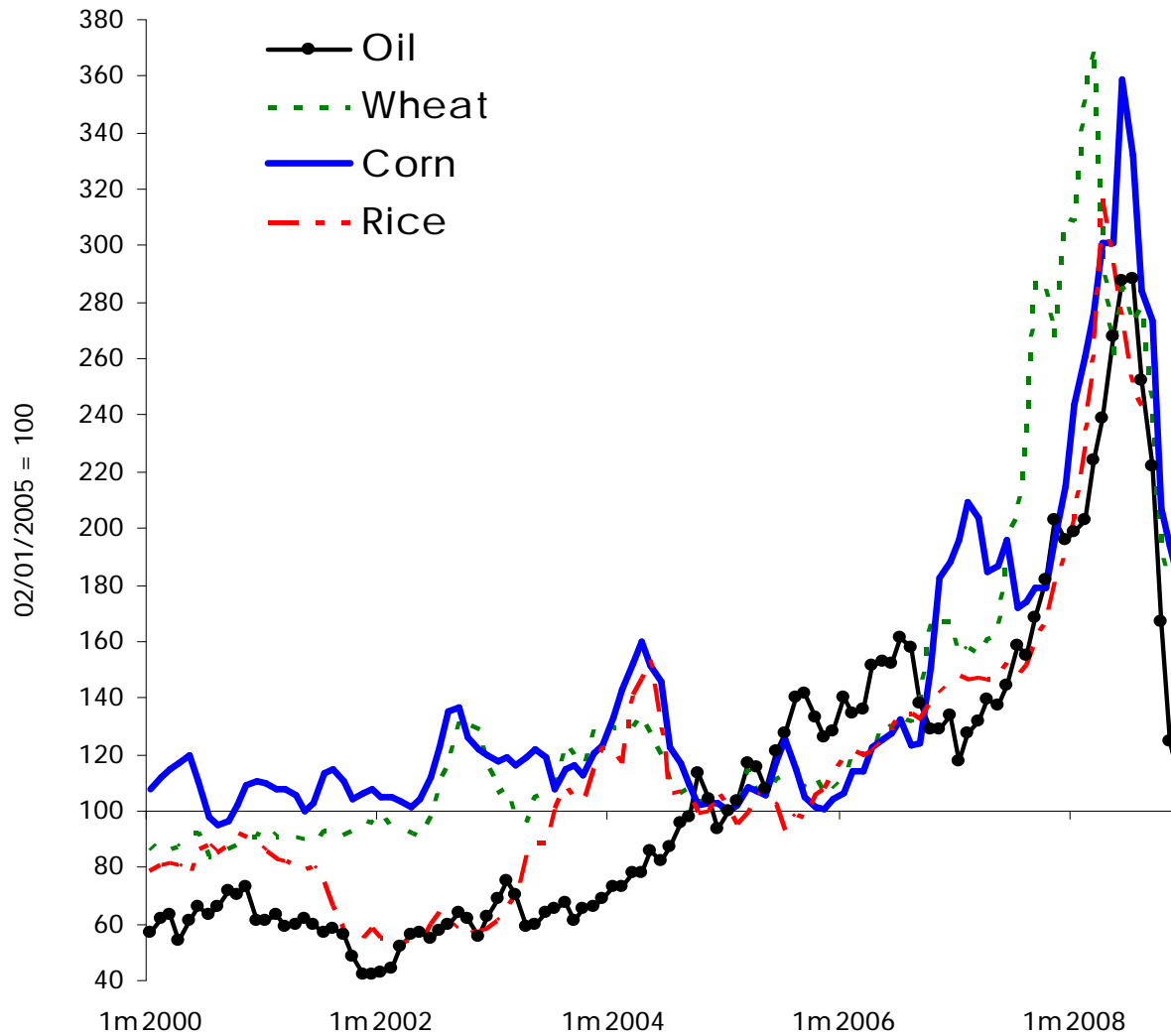


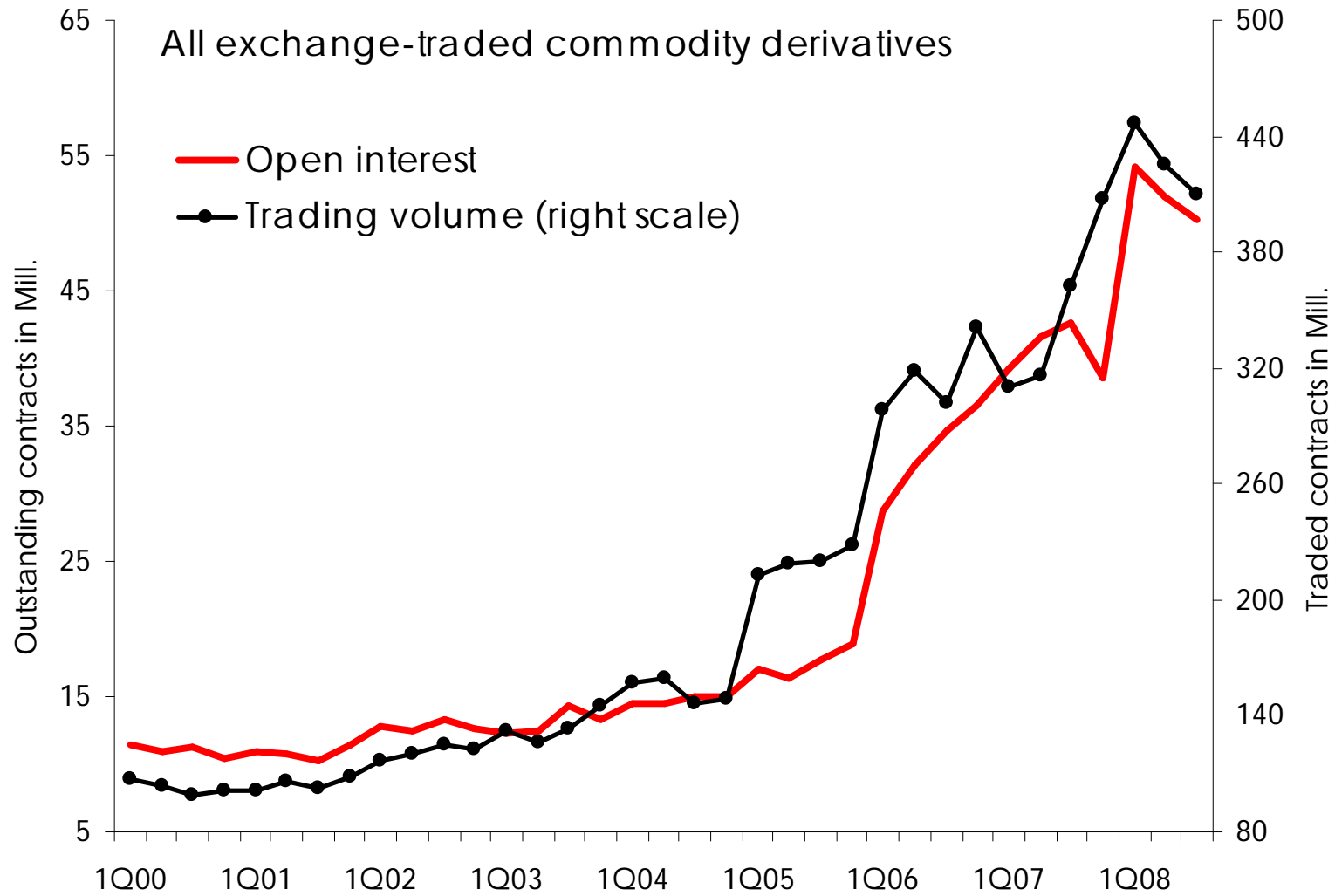


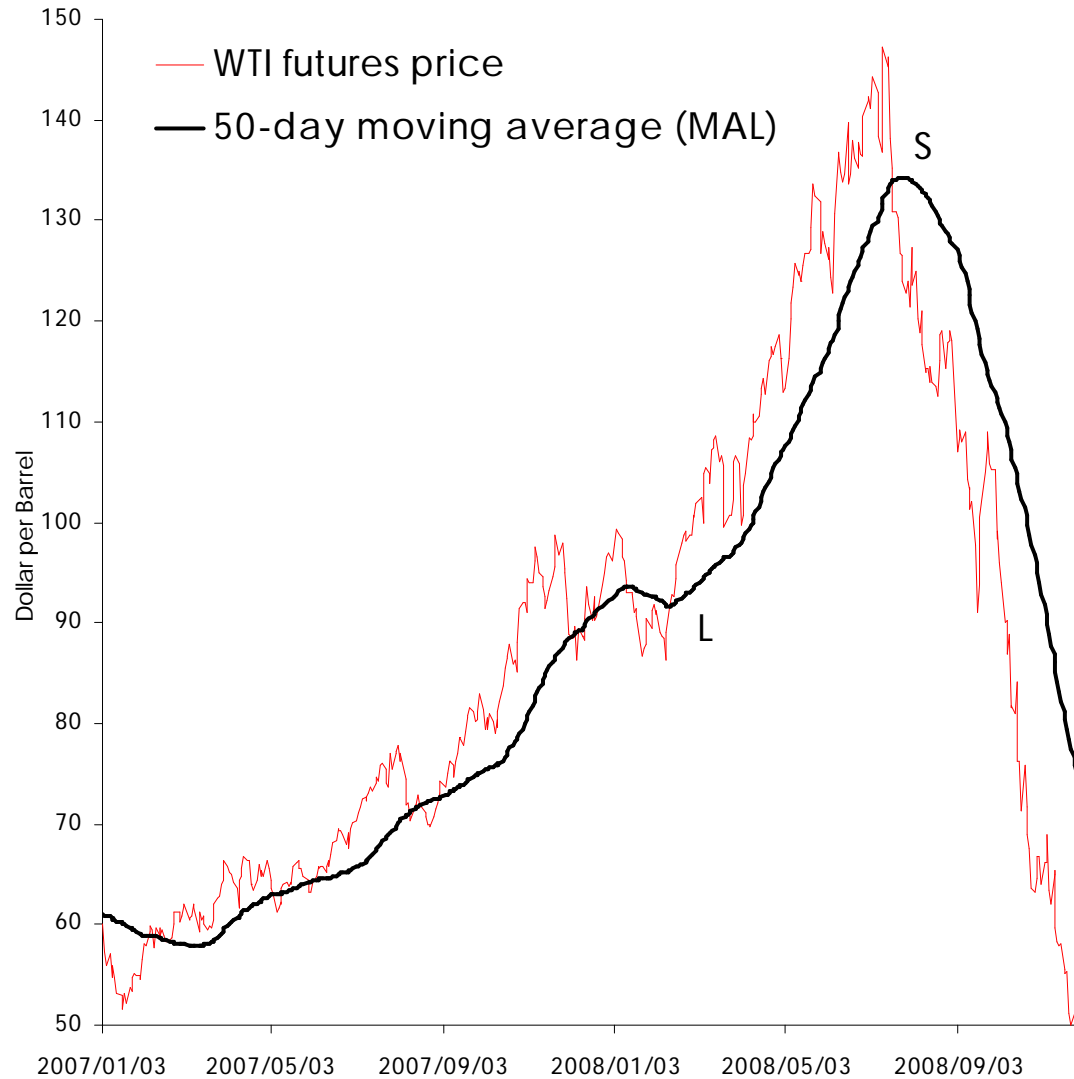




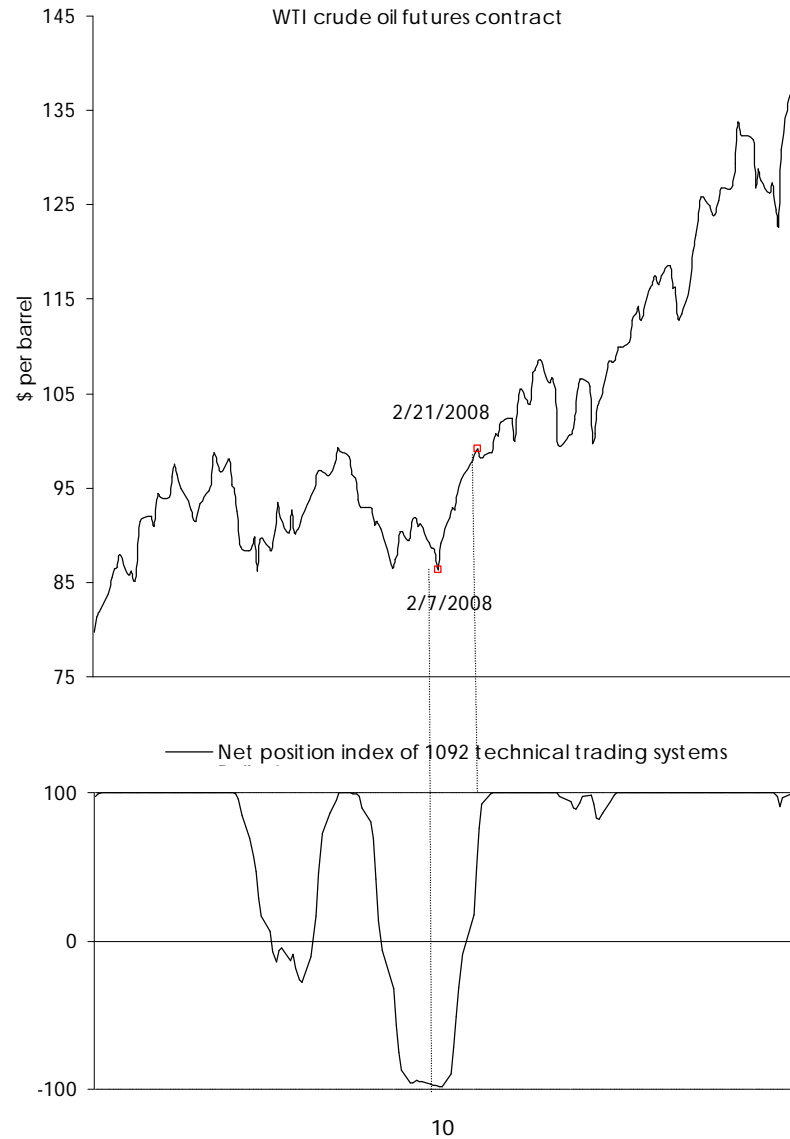




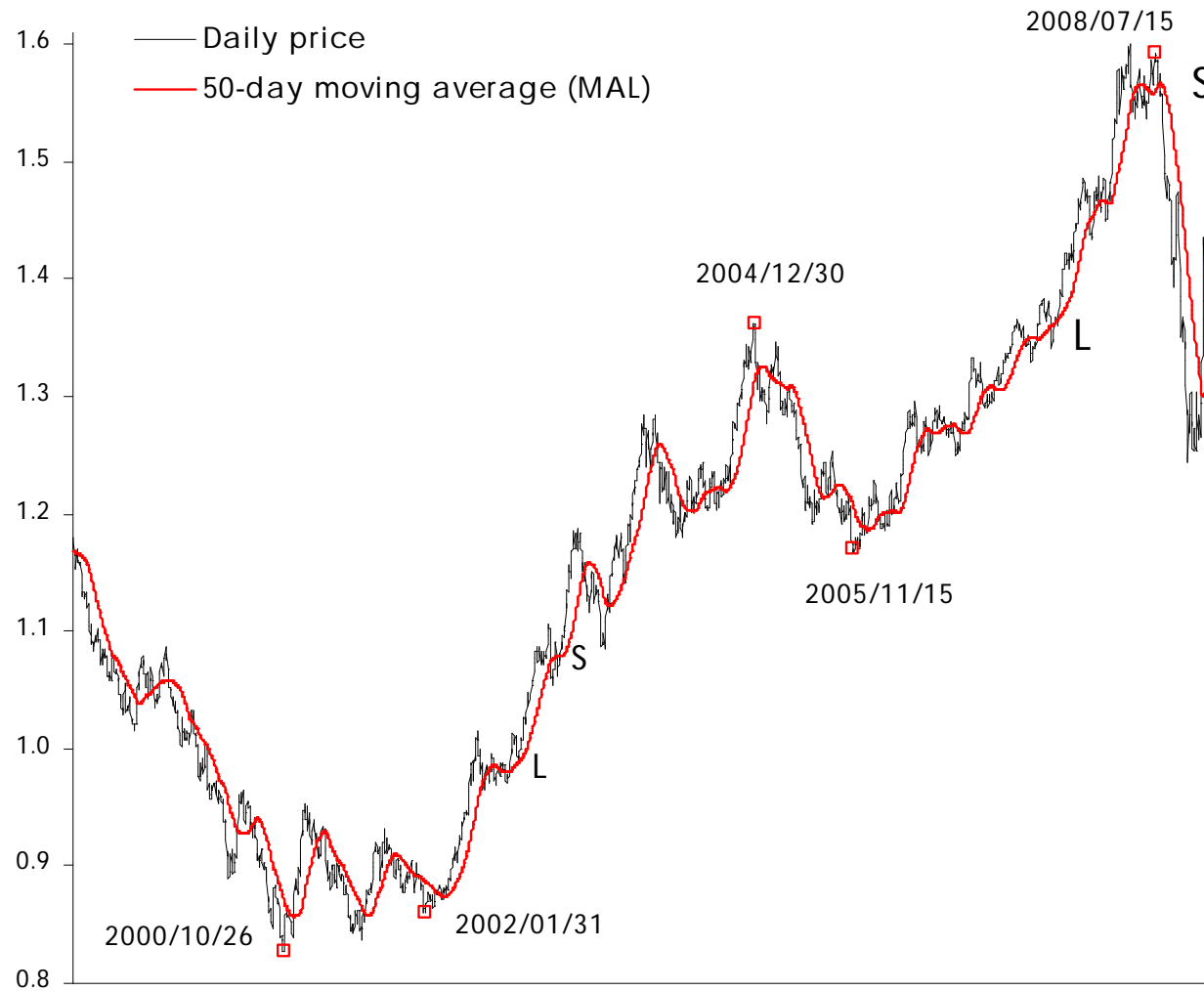




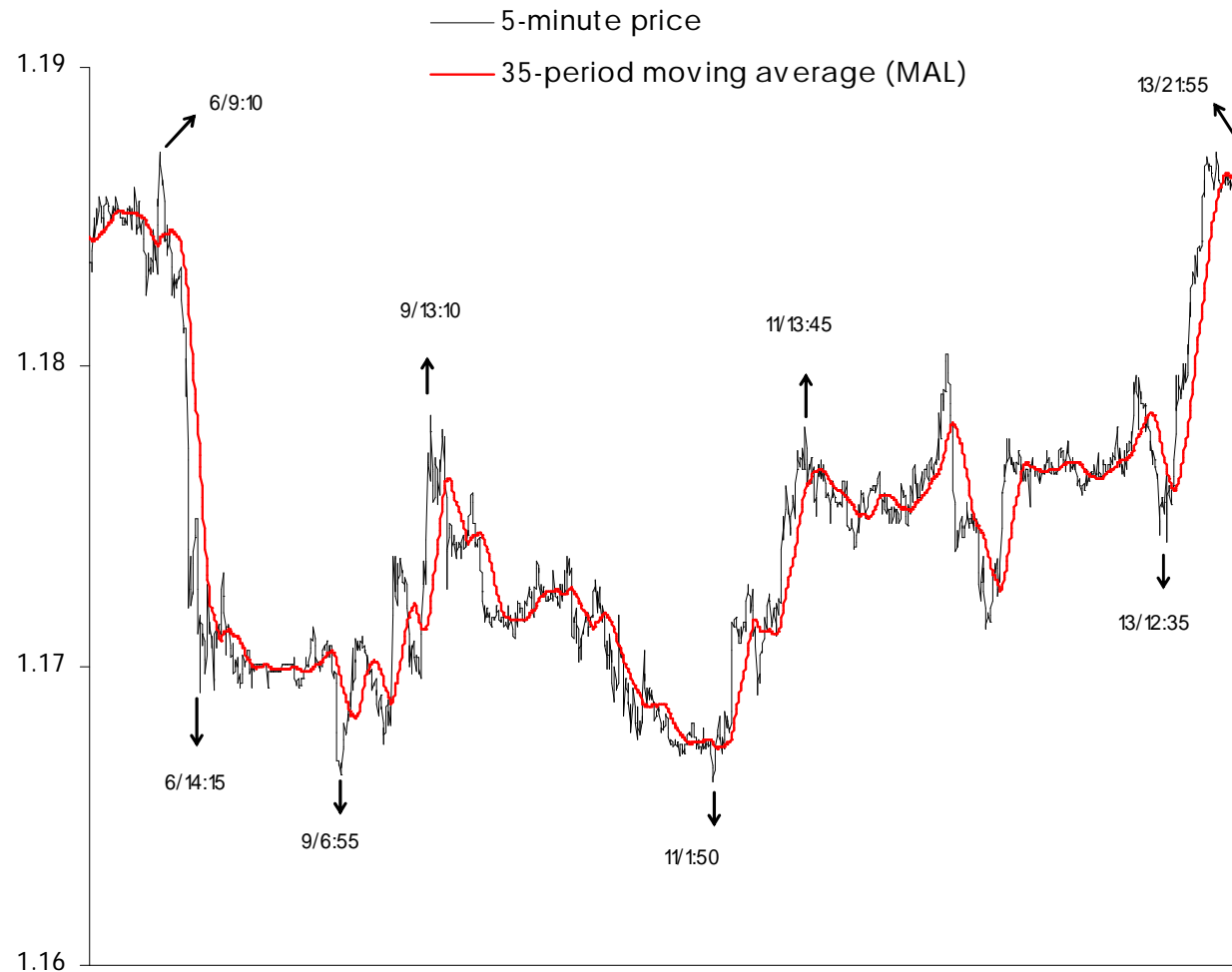
# WIFO ■ Trading signals and oil price dynamics



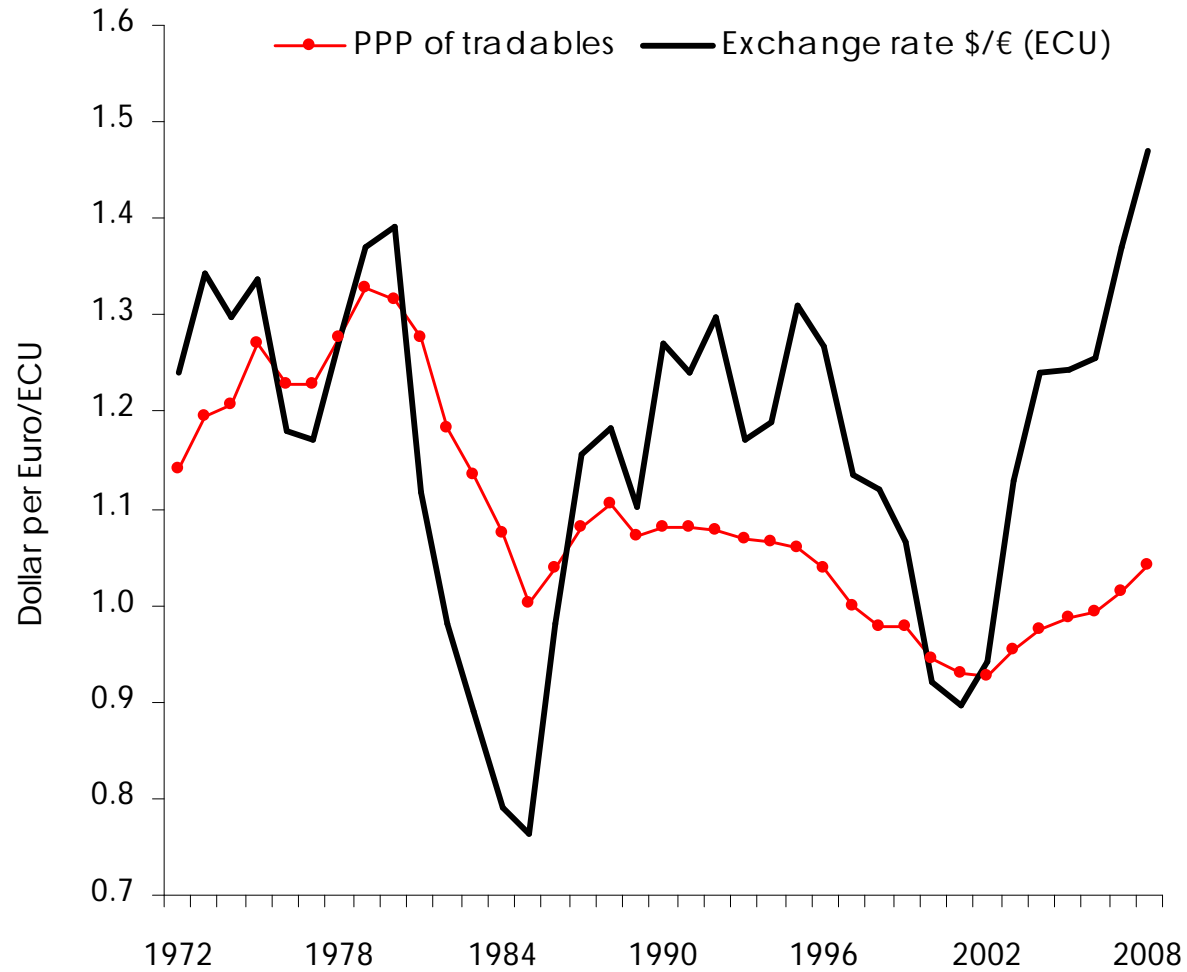
# The cycle of the dollar/euro exchange rate and technical trading signals 1999 – 2008



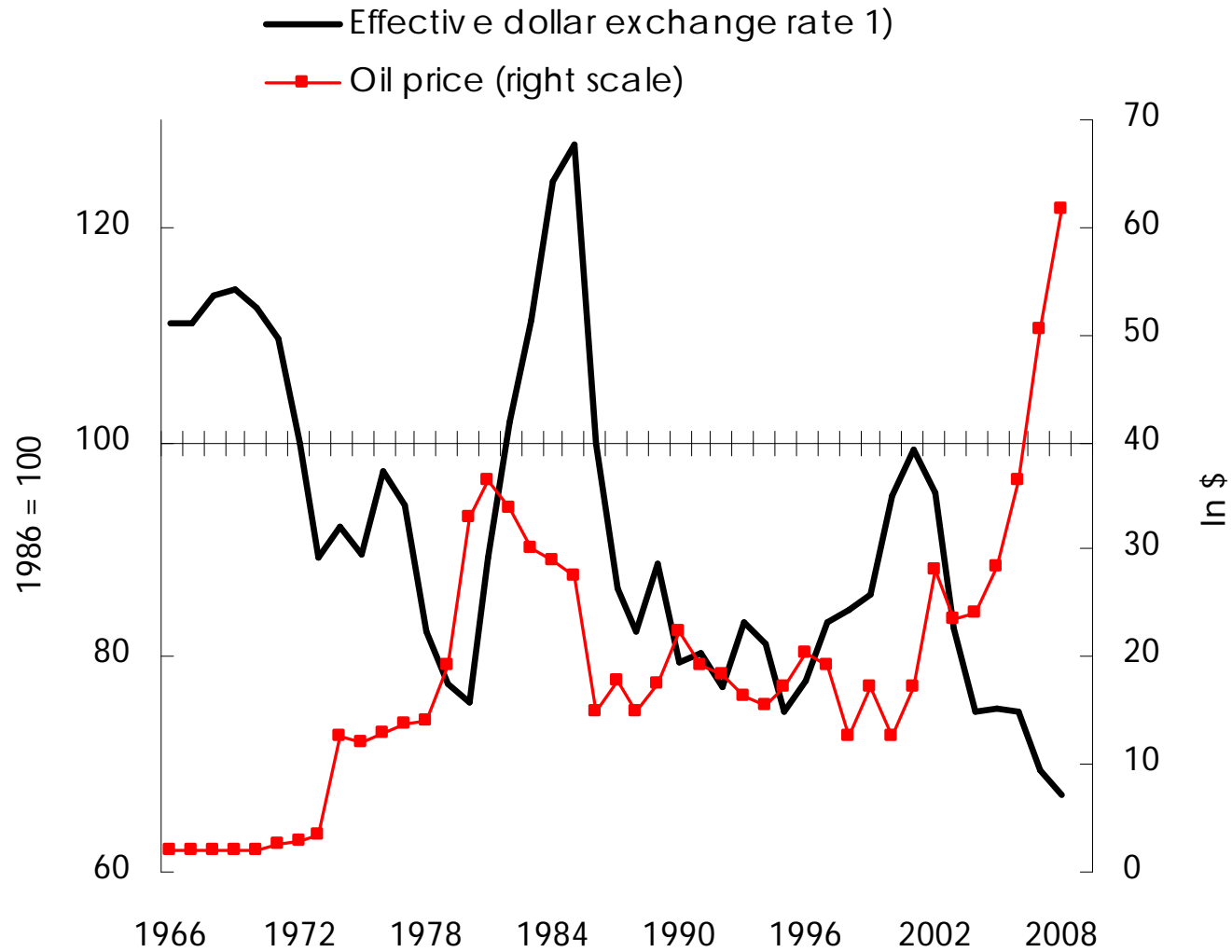
# Technical trading signals based on intraday dollar/euro exchange rates: June, 6-13, 2003



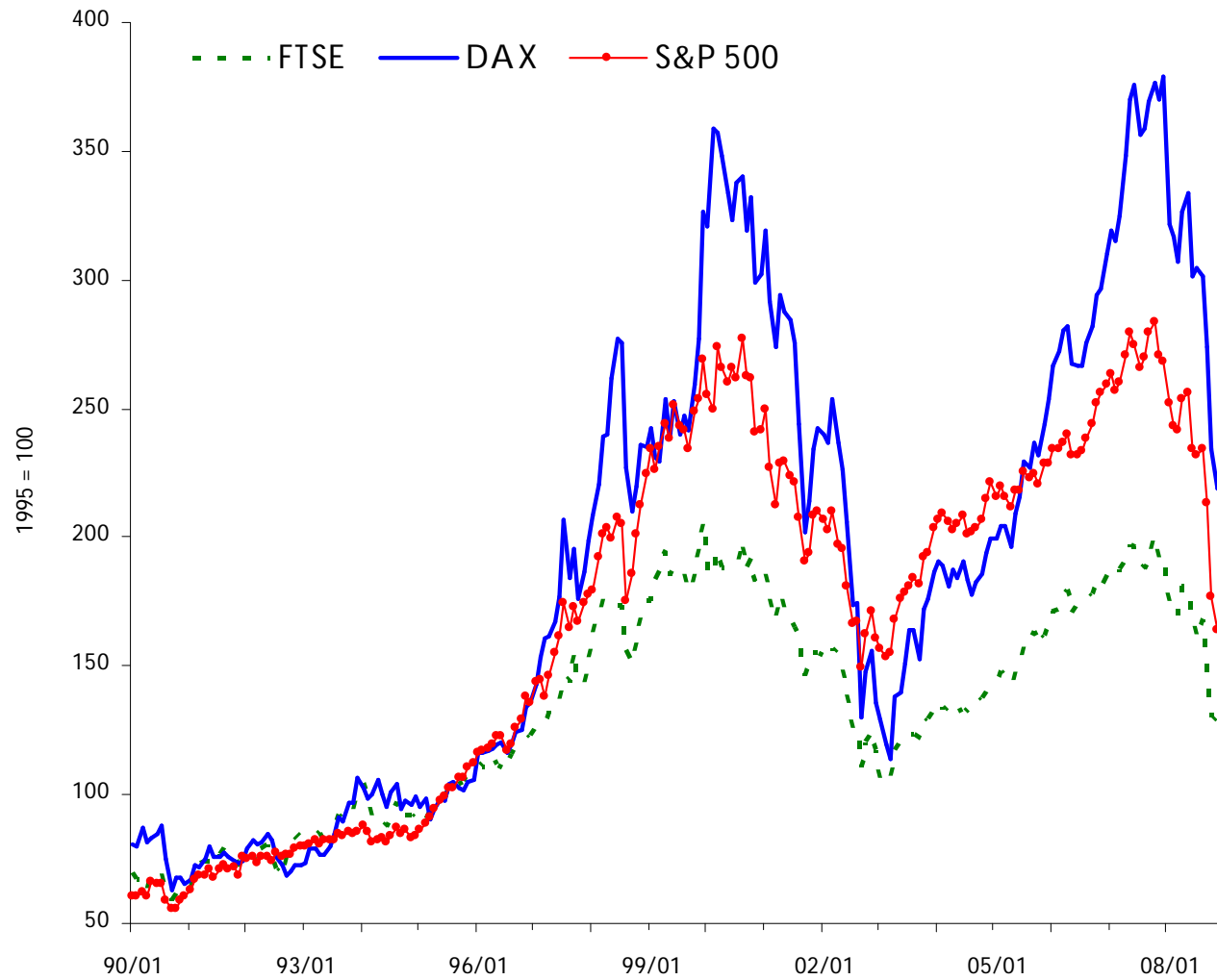
# Dollar/euro exchange rate and purchasing power parity

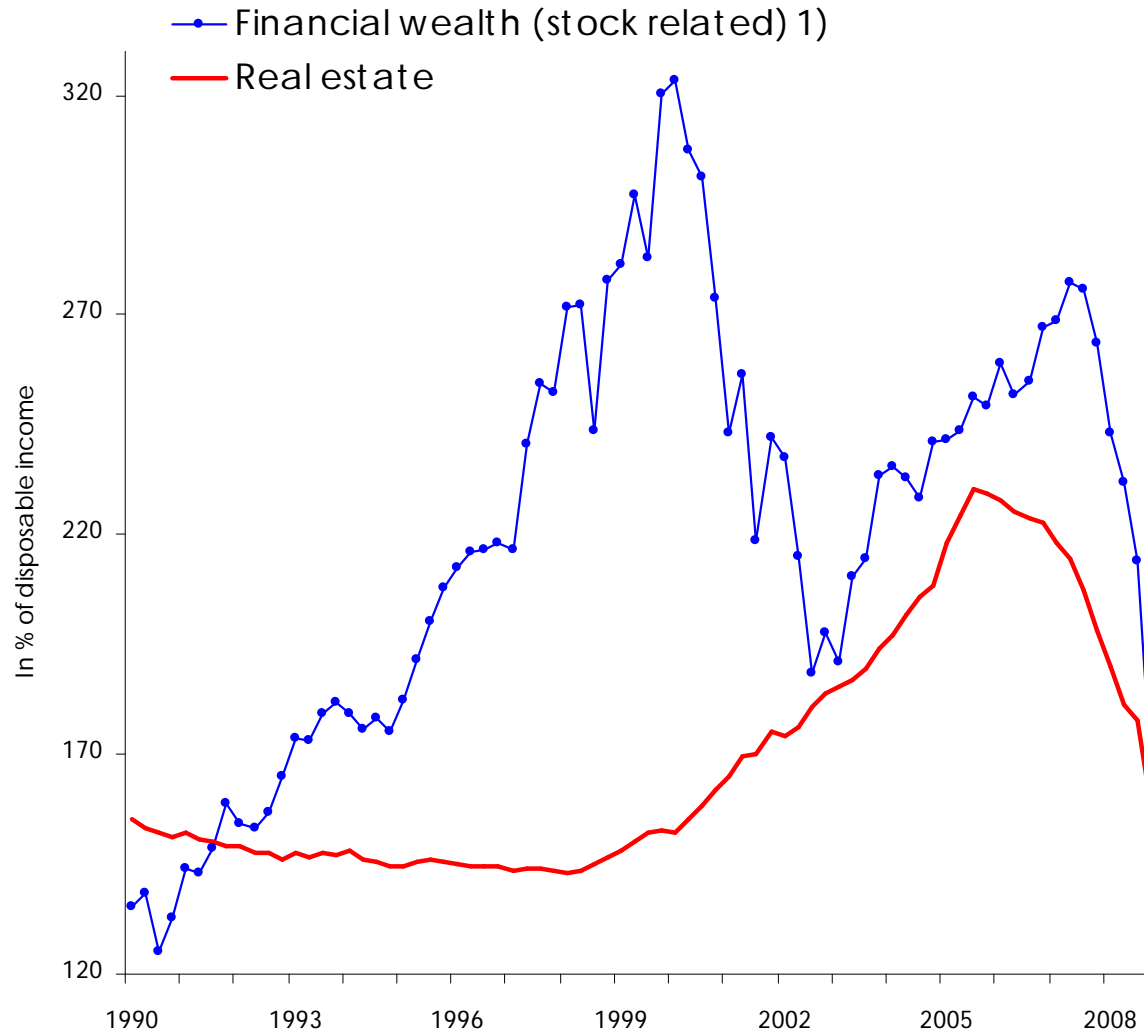


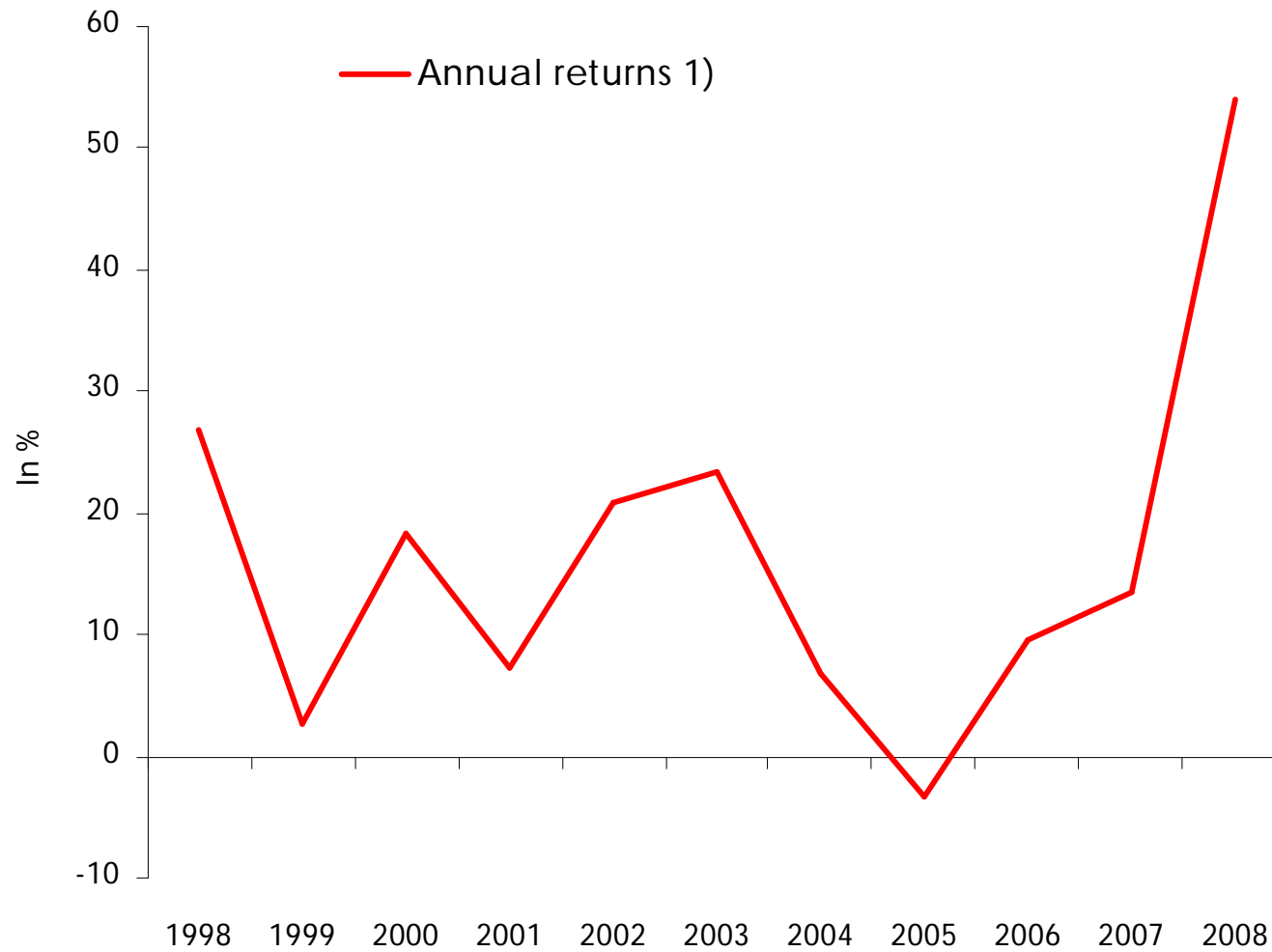
# Dollar exchange rate and oil price fluctuations



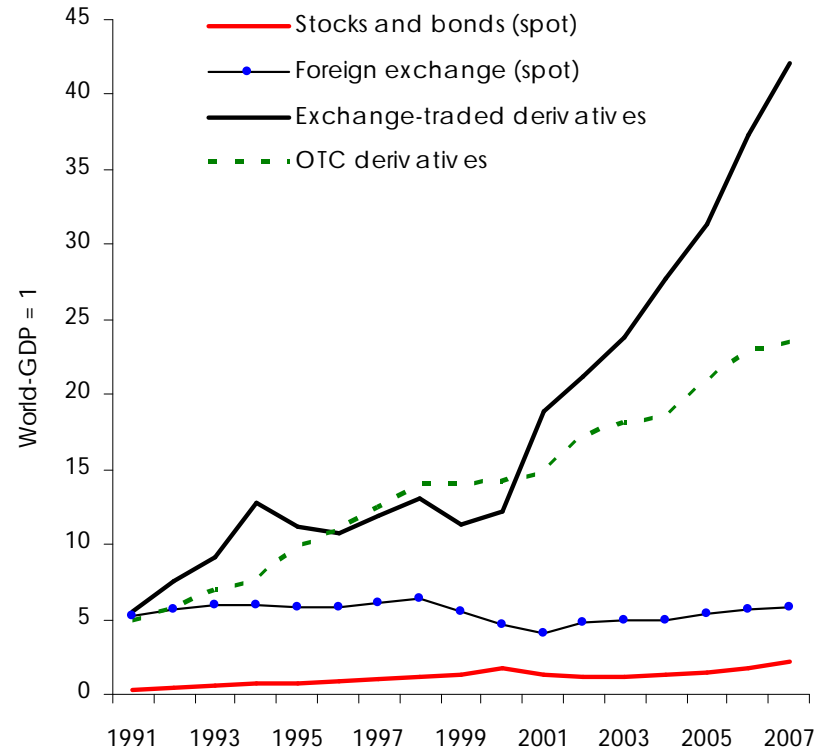
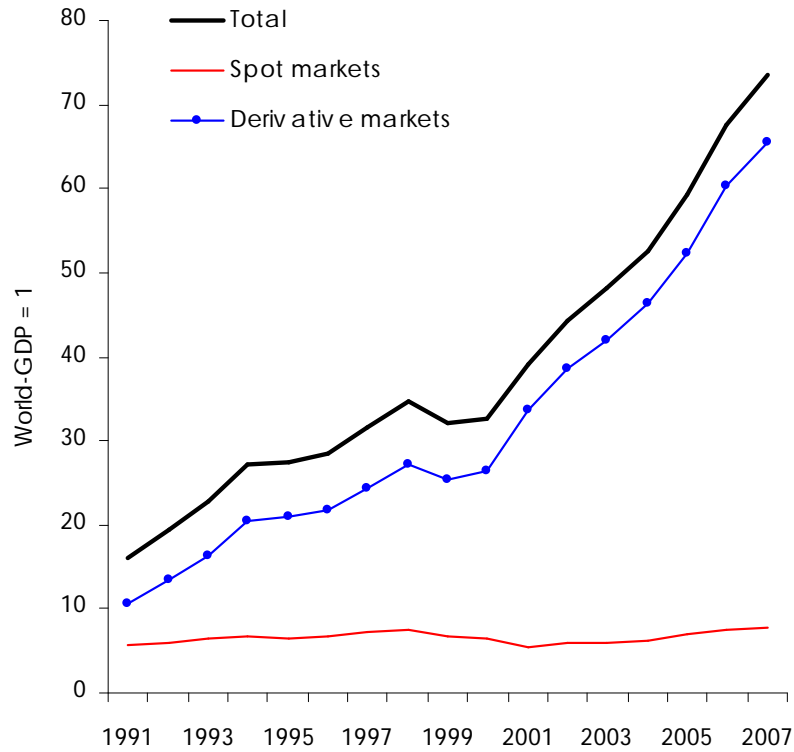
# Stock price fluctuations in Germany, the United Kingdom and the US







# Overall financial transactions in the world economy



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- Growing discrepancy between real and financial transactions.
  - Speculation in derivatives markets grows fastest.
  - Asset prices fluctuate in a sequence of „bulls“ and „bears“.
  - Due to the accumulation of short-term price runs.
  - A small FTT would affect only very short-term transactions with high leverage >
  - A FTT would dampen asset price fluctuations.

- Tax base:
  - All transactions of „financial assets“
  - Spot und derivatives
  - On exchanges and „over-the-counter“ (OTC)
- Three tax rates: 0,1%, 0,05%, 0,01% of asset value
- Three scenarios about the reduction of trading due to the FTT (differentiated by types of instruments)

Reduction in transaction volume	World		Europe	
	In % of GDP	In Bill. \$	In % of GDP	In Bill. \$
	Exchange traded derivatives			
Low	0.35	187.5	0.37	64.9
Medium	0.30	164.4	0.32	56.9
High	0.26	141.4	0.28	48.9
	All transactions			
Low	0.60	326.3	0.84	147.6
Medium	0.53	287.3	0.74	129.8
High	0.46	247.8	0.64	111.9