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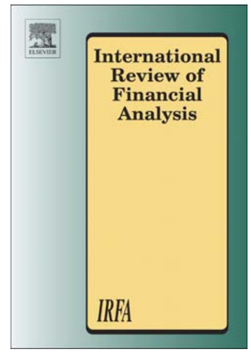


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# Investor structure and the informational efficiency of commodity futures prices

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## Abstract

This article investigates the impact of the trading positions of hedgers (i.e., producers, merchants, processors, or users of a commodity), speculators (i.e., commodity pool operators, trading advisors, or hedge funds), and swap dealers on the price formation process in the agricultural, metal, and energy futures markets. The hedgers' relative positions exert negative impacts on price efficiency in commodity futures markets. Hedgers are less likely to be information motivated, so their trading delays the price formation process. However, speculators' positions have positive impacts on price efficiency because speculators correct pricing errors. This study also offers evidence that the role of swap dealers, similar to speculators in futures markets, is to provide liquidity and cross-market arbitrage. These findings highlight the role of producers, hedge funds, and swap dealers in price formation processes in commodity futures—information that is beneficial to academics, practitioners, and regulators.

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