Fed@Issue: Ruminating about Speculating

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Discussion questions

1. What is the CFTC? Explain its basic function.
2. How does Dr. Tkac define speculation? What was her source?
3. Explain how futures contracts work. What is the difference between noncommercial futures traders and commercial traders?
4. Does speculation warp prices? (How does analysis of oil market supply and demand by speculators affect market prices?) Explain the scenario of an oil market without speculators.
5. What conclusion has University of Houston professor Craig Pirrong drawn from his analysis of oil prices and the trading behavior of speculators?

Related links

Economic Letter: Insights from the Federal Reserve Bank of Dallas—This piece explores the oil futures market and its relationship to oil prices.

Oil Market Volatility—Council on Foreign Relations article on the oil market.

Why Do Gasoline Prices React to Things That Have Not Happened?—Use this St. Louis Fed article and its supporting lesson to explore supply and demand in the market for gasoline.

What Do Financial Market Indicators Tell Us?—This new St. Louis Fed essay comes with a classroom application.