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Concern over Russia’s potential gas embargo must not overlook greater strategic considerations. The Kremlin’s choices are causing longer-duration energy market risks to tilt strongly against Russia and in favor of the energy consuming nations of Europe and Asia, and the US.

Some observers have conjectured that oil supply shocks in the United States and in other countries are behind the plunge in the price of oil since June 2014. Others have suggested that a major shock to oil price expectations occurred when in late November 2014 OPEC announced that it would maintain current production levels despite the steady increase in non-OPEC oil production. Both conjectures are perfectly reasonable ex ante, yet we provide quantitative evidence that neither explanation appears supported by the data. We show that more than half of the decline in the price of oil was predictable in real time as of June 2014 and therefore must
have reflected the cumulative effects of earlier oil demand and supply shocks. Among the shocks that occurred after June 2014, the most influential shock resembles a negative shock to the demand for oil associated with a weakening economy in December 2014. In contrast, there is no evidence of any large positive oil supply shocks between June and December. We conclude that the difference in the evolution of the price of oil, which declined by 44% over this period, compared with other commodity prices, which on average only declined by about 5%-15%, reflects oil-market specific developments that took place prior to June 2014.

"How Does Stock Market Volatility React to Oil Shocks?"

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We study the impact of oil price shocks on U.S. stock market volatility. We derive three different structural oil shock variables (i.e. aggregate demand, oil-supply, and oil-demand shocks) and relate them to stock market volatility, using bivariate structural VAR models, one for each oil price shock. Identification is achieved by assuming that the price of crude oil reacts to stock market volatility only with delay. This implies that innovations to the price of crude oil are not strictly exogenous, but predetermined with respect to the stock market. We show that volatility responds significantly to oil price shocks caused by sudden changes in aggregate and oil-specific demand, while the impact of supply-side shocks is negligible.

"The Erratic Journey of U.S. Commodity Options Regulation"
33 No. 10 Futures & Derivatives L. Rep. 1, 2013

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The history of derivatives regulation in the United States has been non-linear, exhibiting wide oscillations between, on the one hand, heavy Federal regulation, including the outright prohibition of whole classes of transactions and, on the other hand, unfettered free markets in large portions of the commercial over-the-counter markets.

The regulatory history of commodity options has been especially circuitous. It includes moments of prohibition; forays into regulated exchange-traded and off-exchange commodity options; retrenchments into prohibitions; differing treatments for agricultural commodity options, options for physical delivery of non-agricultural products and options on non-agricultural futures; the inclusion of options for physical delivery of non-agricultural products and options on non-agricultural futures in the same framework for regulation of other derivatives; and, recently, the convergence of treatment of options on agricultural commodities with other derivatives along with an exemption for commercial interests. This article seeks to tease-out the many threads comprising the history of Federal commodity options regulation.

"Global Sourcing of Heterogeneous Firms: Theory and Evidence"
CESifo Working Paper Series No. 5184

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This paper investigates the role of firm productivity in drawing firm boundaries in global sourcing. Our analysis focuses on how productivity affects the allocation of ownership rights between the headquarters of a firm and an intermediate input supplier (vertical integration vs. outsourcing), as well as the location of intermediate input production (offshore vs. domestic). Unlike previous work, we allow for a fully flexible productivity effect with varying magnitude and sign across different industries. Our estimation strategy is motivated by the canonical economic model of sourcing due to Antràs & Helpman (2004). This model invokes the property rights theory of the firm in order to pin down firm boundaries as the outcome of an interaction between firm heterogeneity and the industry's sourcing intensity (i.e. the importance of inputs sourced from suppliers relative to headquarter inputs). We demonstrate that, at the level of the firm, the model implies a productivity effect that varies not just in magnitude (and potentially non-monotonically), but also in sign with the sourcing intensity of the industry. To estimate the effects empirically, we use Spanish firm-level data from the Encuesta sobre Estrategias Empresariales (ESEE). We find a pattern of effects whereby productivity stimulates vertical integration in industries of low sourcing intensity, but favors outsourcing in industries of high sourcing intensity. Moreover, we find that productivity boosts offshoring throughout all industries, with the effect increasing monotonically in the sourcing intensity. Our results lend strong empirical support to the property rights view of the firm in the global economy.

"Excessive Dynamic Trading: Propagation of Belief Shocks in Small Markets"

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Can belief shocks make trading excessive? We present a dynamic inventory management model in which belief shocks gradually propagate across traders, leading to the inflated trading activity which reduces traders' welfare. Trading can be socially beneficial because smoothing heterogeneous asset positions saves inventory costs. Without belief shocks, traders focus on the socially beneficial trading and the dispersion of the asset positions decreases monotonically. We show that one-shot belief shocks induce a speculative trading, which aggregates information but slows down the convergence of the asset positions. When traders' beliefs change quickly, the dispersion of the asset positions goes up, creating a cyclical pattern in volume. We also show that the high frequency trading amplifies the impact of belief shocks by making the speculation less costly, and therefore steering traders away from the socially beneficial trading motive.

"OECD Imports: Diversification of Suppliers and Quality Search"

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We posit that OECD buyers are in a continuous search for best quality suppliers from developing countries. We build a simple model of adverse selection and quality screening which captures this feature. The model predicts that diversification happens by "bouts", or temporary episodes, during which OECD buyers search for high-quality suppliers. Each diversification episode is followed by a phase of re-concentration on the best performers, until those fail (which happens stochastically), triggering new search phases. The model also shows that concentration across origin is highly volatile, especially for goods with high-quality heterogeneity. Finally, as the set of suppliers expands and buyers continue sampling, the overall trend is an increased diversification across time. We empirical explore these conjectures using OECD imports over time (1963-2006) and measuring their concentration across 250 origin countries at the product level (1300 products). We provide strong empirical evidence corroborating the model predictions.