

PREFACE

In June 1979 the Commonwealth Secretariat arranged a Seminar for Commonwealth officials to promote understanding of the operations of the London Commodity Markets and the significance of their price-fixing role for commodities on the exports of which many Commonwealth countries depend. As a follow-up to that Seminar and taking into account heightened activities in commodity markets, arising from continuing high levels of inflation, exchange rate instability and increasing interest in investment in commodity markets, the Secretariat's Economic Affairs Division commissioned this Study from the Commodities Research Unit to examine more closely recent developments in commodity marketing.

The Study has as its purpose to examine in particular the extent and influence of hedging and speculative dealing in the commodity markets, and the effects of recent growth in other 'non-trade' dealing - portfolio investment, commodity funds, bank operations, and dealings motivated by the greater attractiveness of commodities as a store of wealth in the light of currency instability. It examines the extent to which it is possible to determine whether this more extensive 'non-trade' business has affected price volatility and long-term price levels, and whether it has been in the interest of commodity producers and consumers.

The analysis of these recent developments will, it is hoped, be helpful in adding to understanding of price determination in commodity markets, and its response to influences beyond production and consumption to which it has become increasingly exposed.

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