

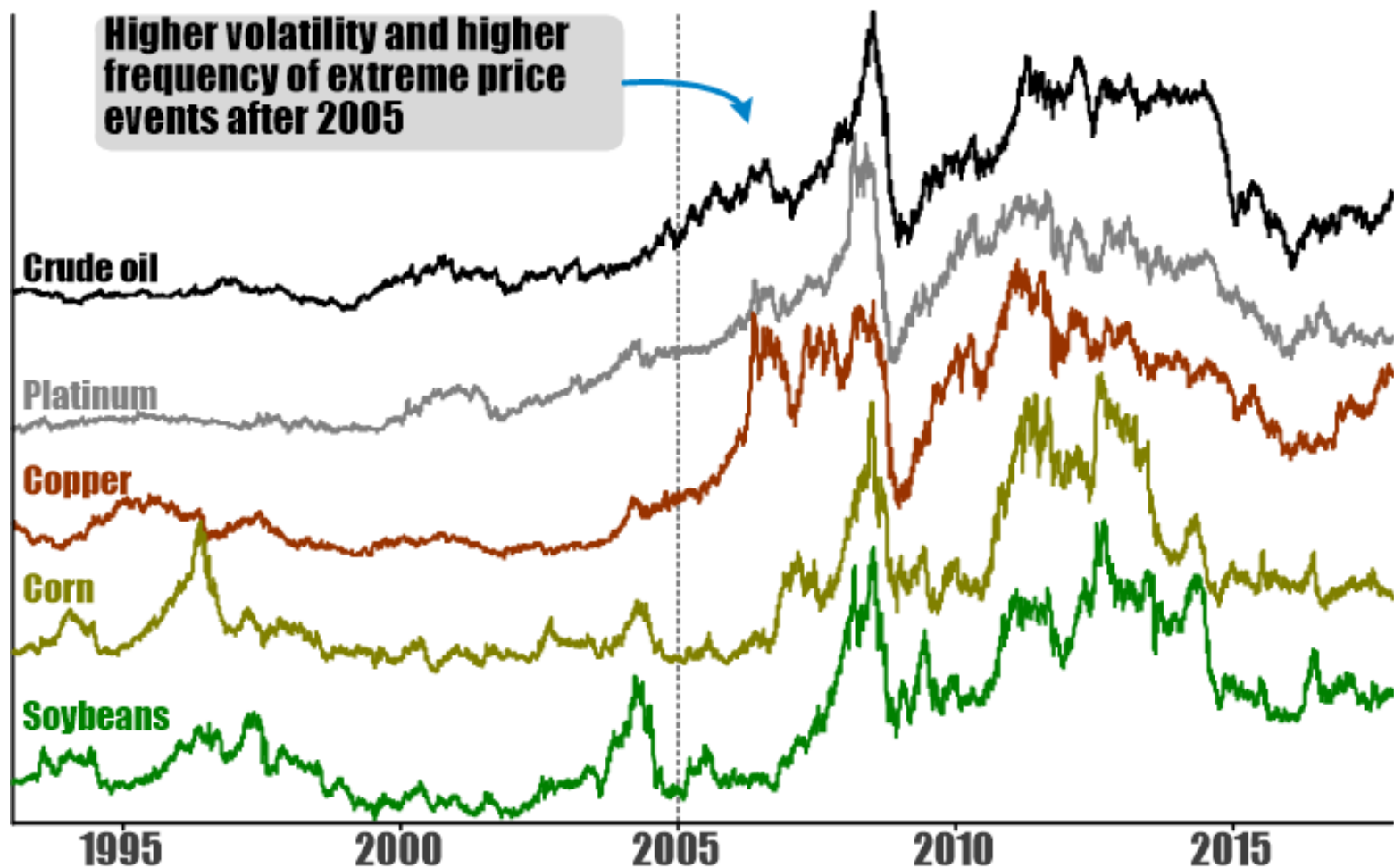


Uncertainty and commodity price risk

Large Scale Price Events (LSPEs):

**By far the greatest source of risk for
commodity dependent firms
(and nations)**

Higher volatility and higher frequency of extreme price events after 2005







Hedging losses of US shale producers could top \$10bn this year

► Operators have been unable to capitalise on high crude prices as they hedged at lower prices, Rystad Energy says



Commodity risk events in 2020

- **Vitol lost \$1.6 billion**
- **Bank ABN Amro lost \$1.4 billion**
- **in the U.S. 25 independent oil producers filed for**



Ryanair to Lose \$325 Million From Oil Insurance Trades Gone Bad

By Siddharth Vikram Philip

April 3, 2020, 8:31 AM GMT+2 *Updated on April 3, 2020, 9:33 AM GMT+2*





EDITORS' PICK | Apr 20, 2020, 04:47am EDT | 244,892 views

Former Singapore Billionaire Lim's Oil Giant Files For Bankruptcy



Pamela Ambler Former Staff
Asia

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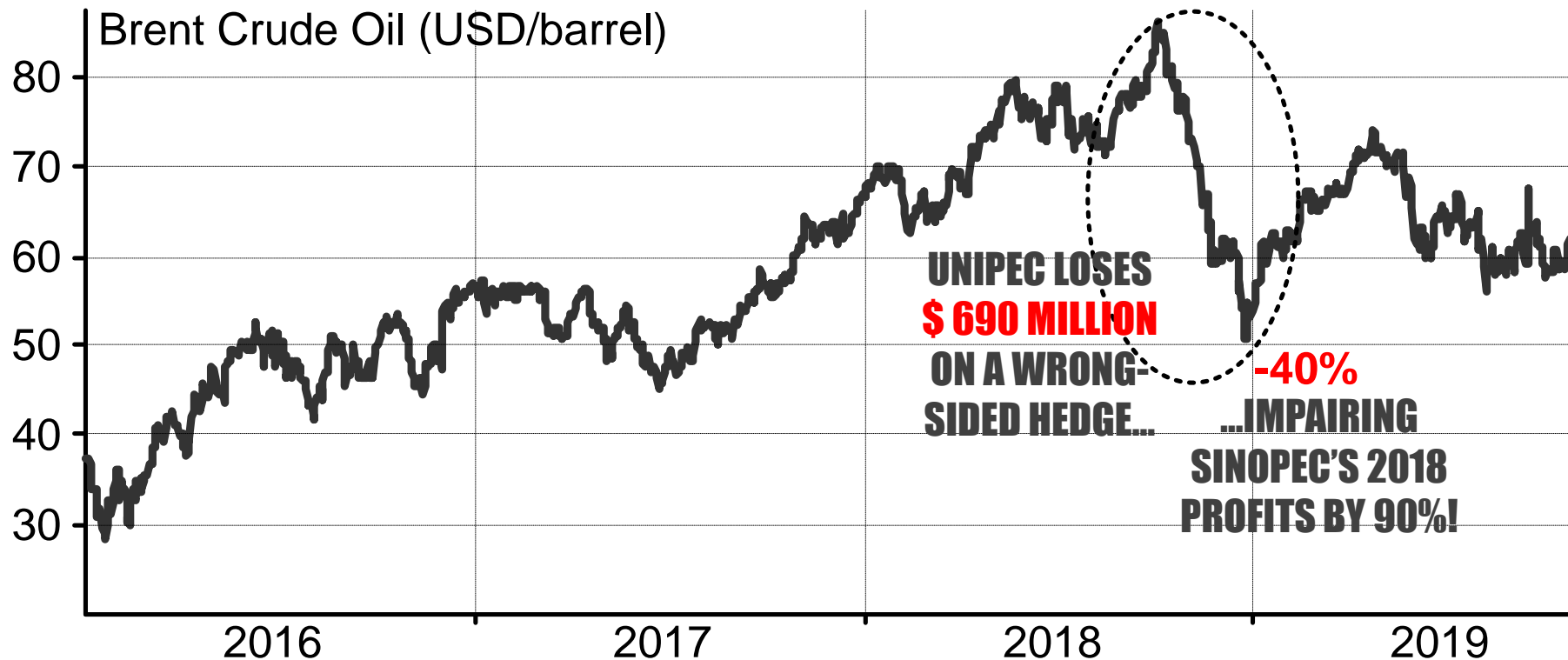
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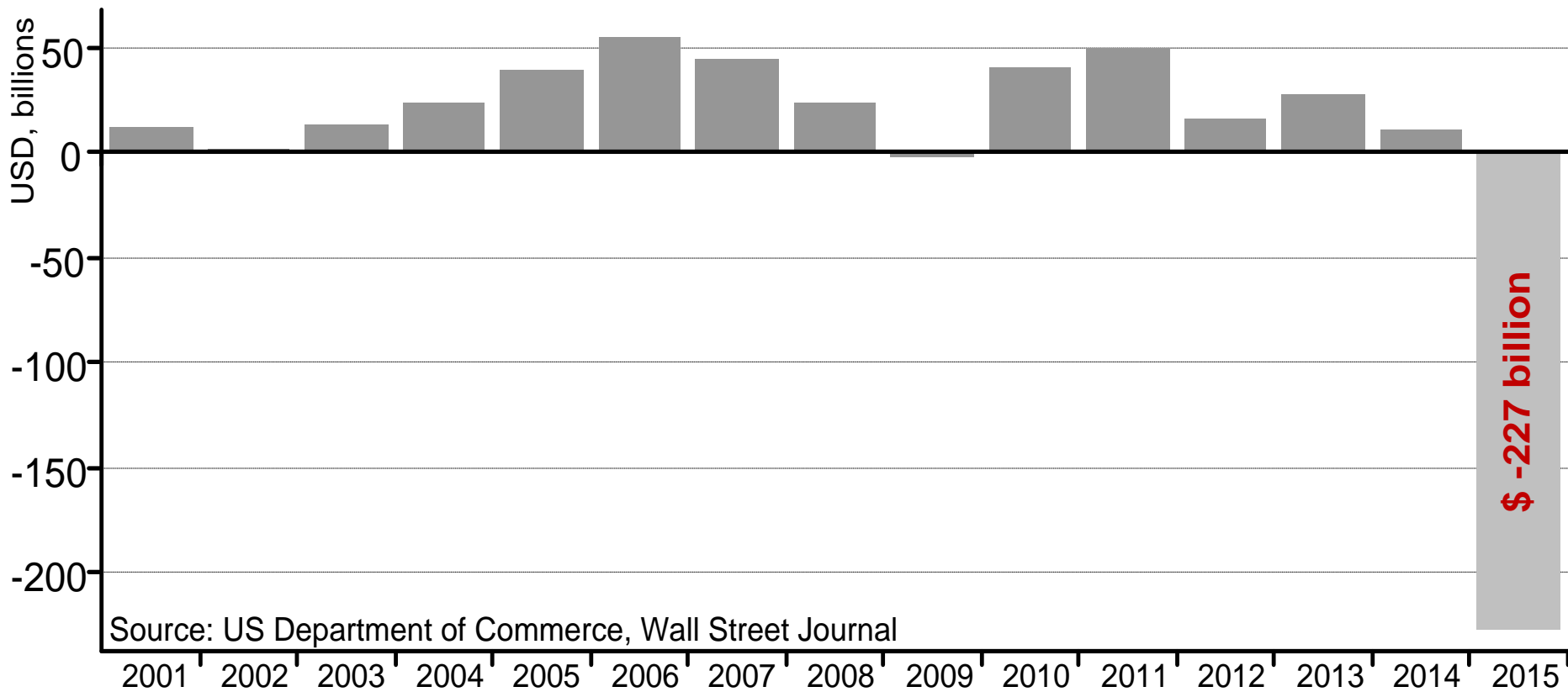
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Unipecc's price risk event in 2018





Conclusions...

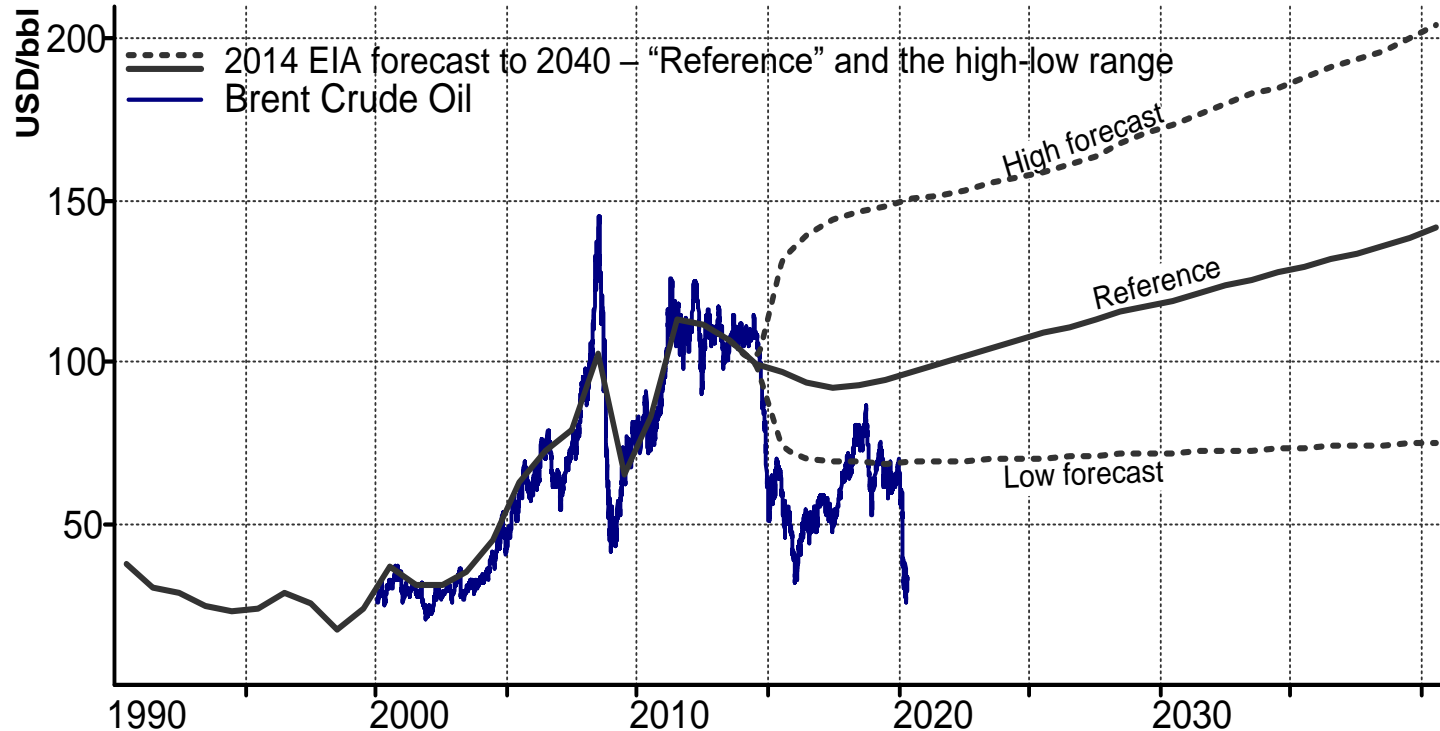
- 1. Price risk has a far greater impact on firms' profitability than any other factor**
- 2. In general, firms fail to manage this risk effectively**

Managers do understand the issues...



- 1. 90% of commodity firm CEOs and CFOs believe that managing price risk is key to competitive advantage**
- 2. Only 1 in 3 have confidence in solutions they have in place**

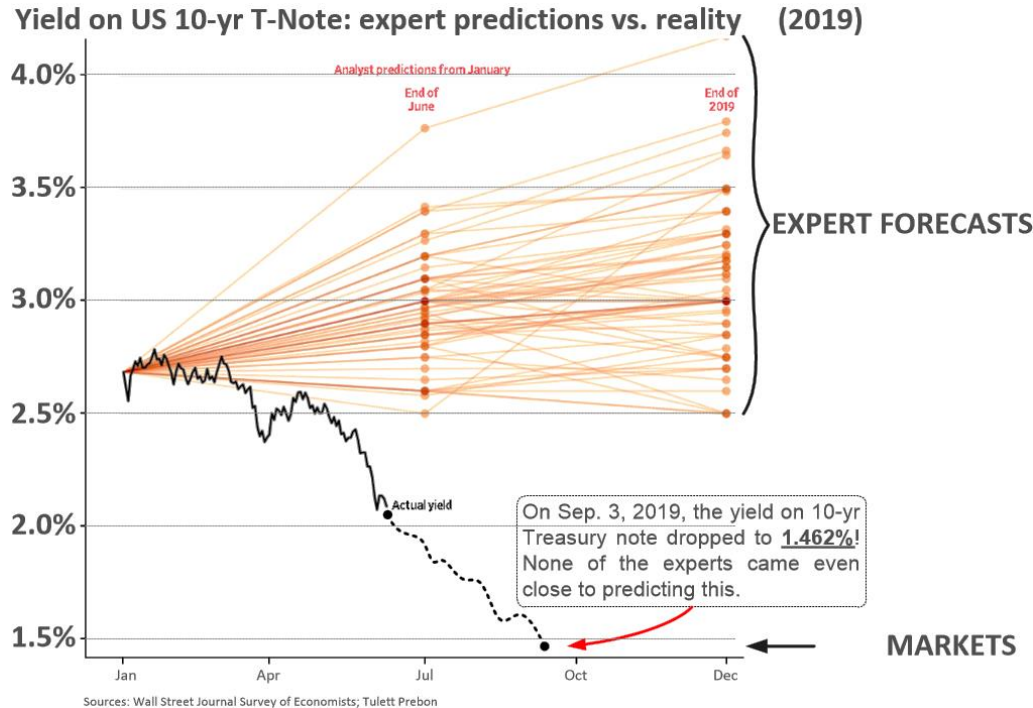
Economic forecasting: oil prices



Here's EIA 2014 forecast based on industry's best information from world's most highly reputed institutions

It was badly wrong from the day it was published and it's been almost completely wrong for nearly 7 years.

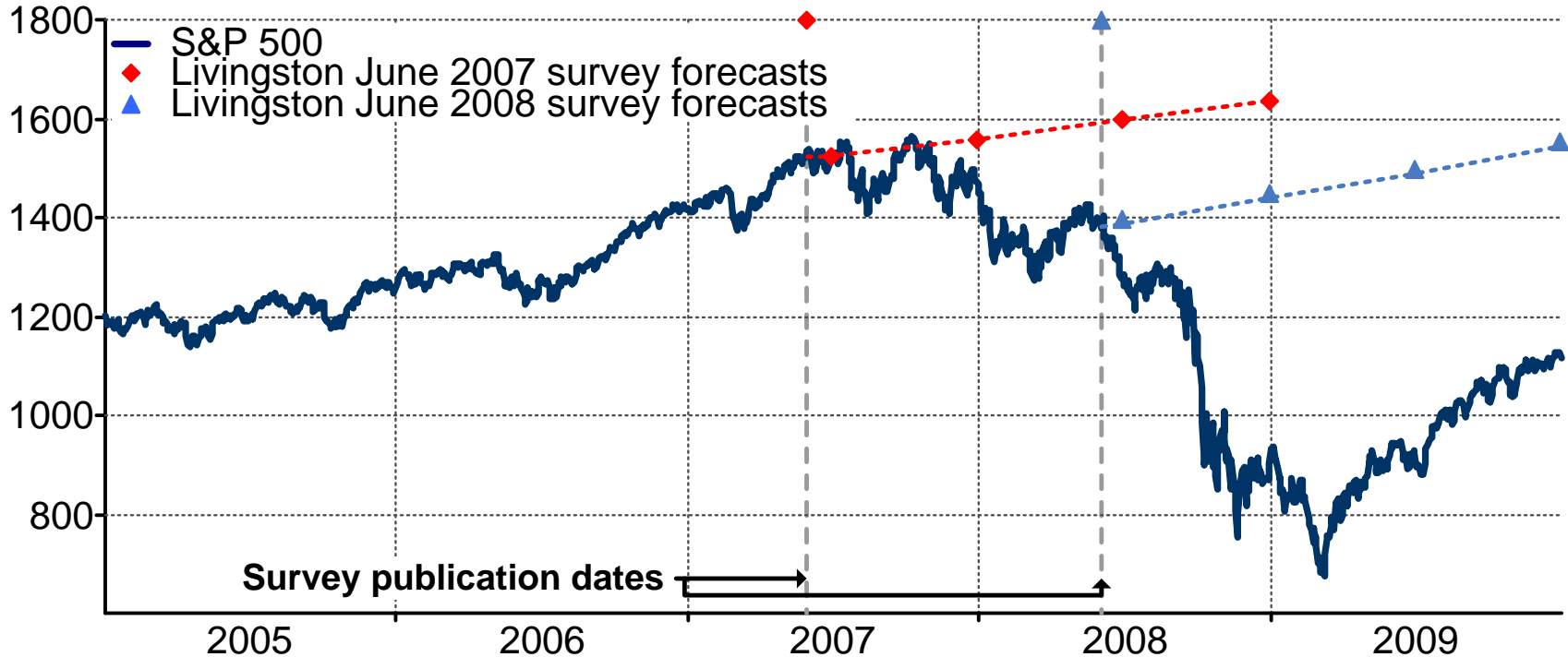
Forecasting: interest rates



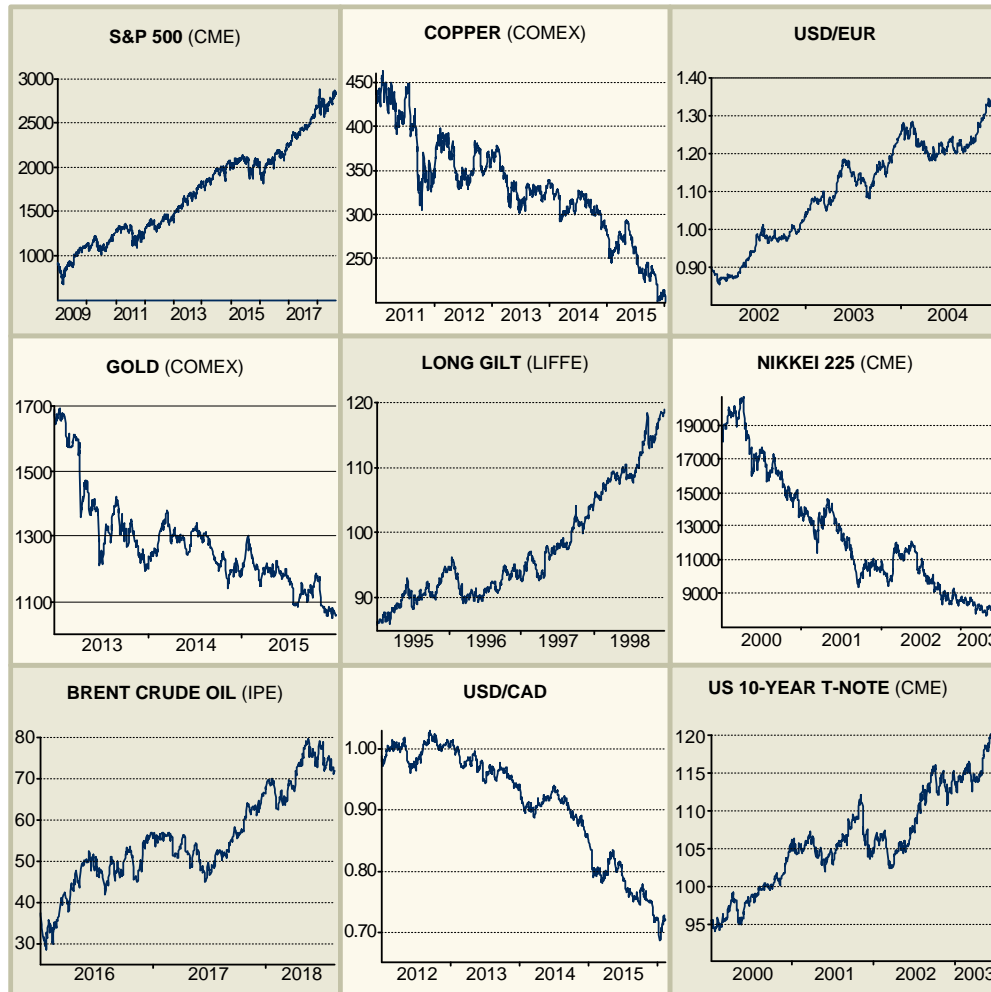
In January 2019, the Wall Street Journal asked a group of experts to predict the interest rates on US 10-year T-Notes for mid-year and year-end 2019.

The forecasts ranged from 2.5 to 4.3%. In reality, the rate dropped below 1.5% and never came close to analyst forecasts.

Forecasting: stock prices



**Is there a
solution?**



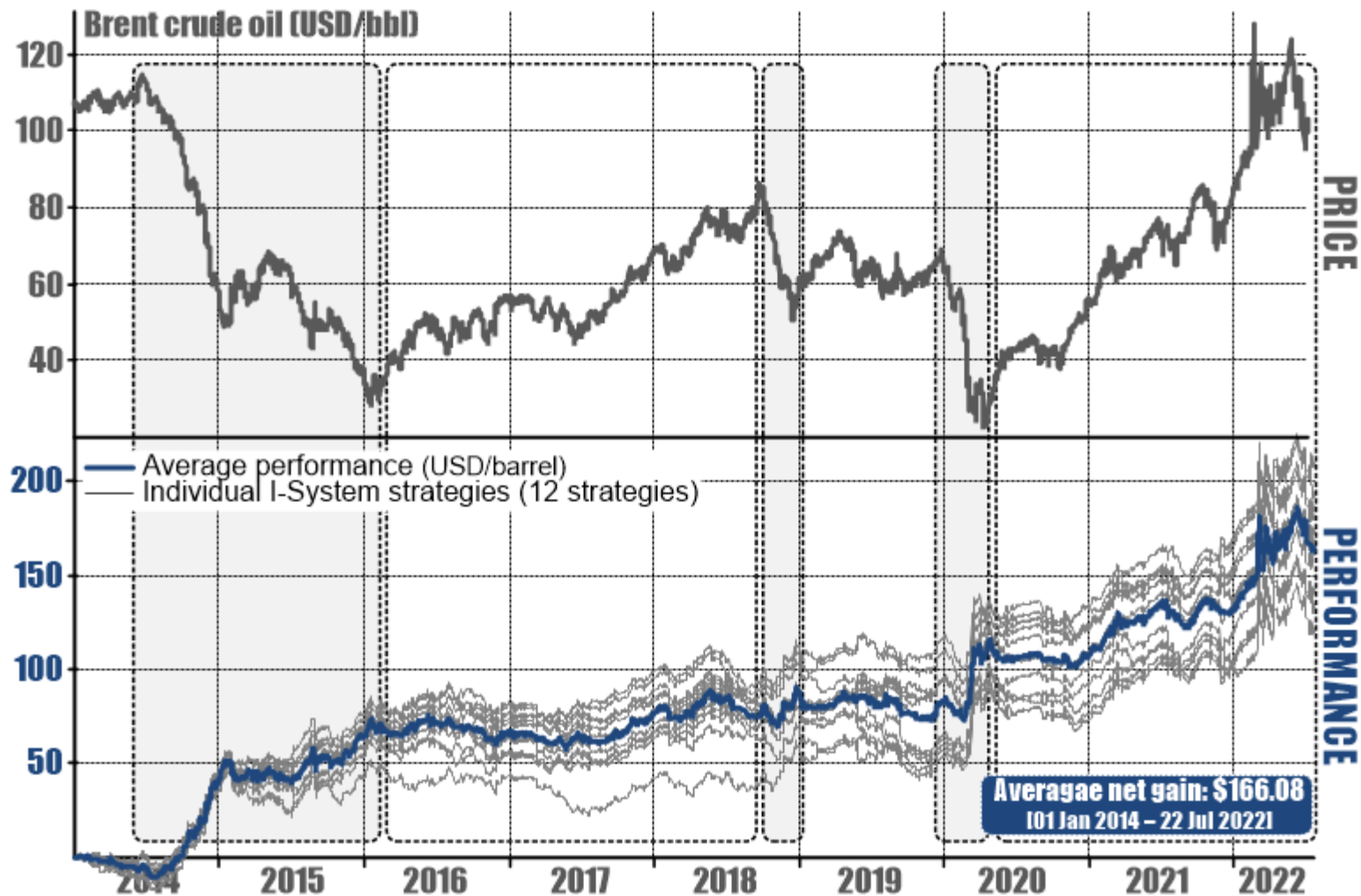
**Markets
move in
trends!**



*There are three avenues
of opportunity: events,
trends and conditions.*

Sun Tzu, The Art of War

Trend following performance





The Journal of
Corporate Accounting & Finance

Commodity price risk, profits, and value creation

Alex Krainer 

First published: 08 July 2019 | <https://doi.org/10.1002/jcaf.22395>



Volume 30, Issue 3

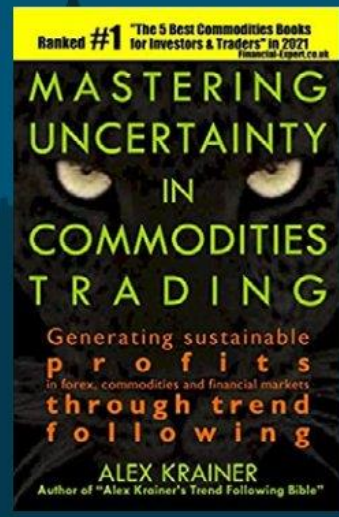
July 2019

Pages 83-89



Best Commodity Trading Books

Alex Krainer



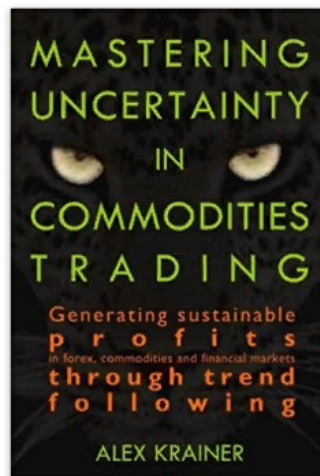
Mastering Uncertainty
in Commodities Trading



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◀ Back to results



Mastering Uncertainty in Commodities Trading: Generating sustainable profits in forex, commodities and financial markets through trend following by Alex Krainer (2016-06-07) Paperback – January 1, 1776

Middle English Edition

★★★★★ 11 ratings

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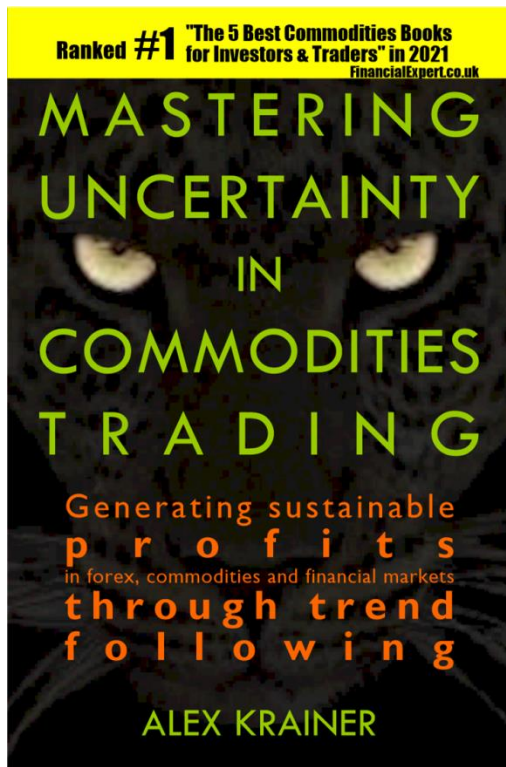
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