

ABSTRACT

The objective of this research was to test whether Chinese soybean No.1 futures market is efficient or not. A Johansen cointegration methodology was adapted to research the Chinese soybean futures market efficiency from January 2009 to July 2013. The prices of soybean No.1 were regarded as prices of soybean product in this paper. The futures contract months in DCE are Jan, Mar, May, Jul, Sep, and Nov. The weekly futures price data was obtained from DCE website. The futures prices were taken five forecasting horizons. This includes one-week before maturity, two-week before maturity, two months before maturity, four months before maturity and six months before maturity respectively. The cash prices are the national soybean acquisition prices collected from CNgrain online database were the third-week prices of contract in related maturity month. There is a total of 168 observations.

The results show that there is no cointegration that existed between the futures price and cash price of soybeans. The study also revealed an inefficiency of the soybean futures market.

Results from the study may help producers or marketers to hedge, arbitrage, operate in an attempt to manage price risks inherent in commodity ownership. Investors who are searching market profits can handle new information and act thorough analyses. If the price of soybean futures on the DCE provides a reliable forecast of spot prices in the future, producers can manage their risks in production and trading effectively.