

## Abstract

In the last decade, global food price volatility has threatened food security and contributed to political and economic instability affecting the livelihood of the economically weakest section. Though many market participants and policymakers have long suspected a link between the unprecedented price rise and institutional investment in the commodity futures markets, there has been considerable debate whether the “financialization of commodity markets” has any detrimental effect or not.

In this dissertation, the impact of financialization on futures market's efficiency in price discovery has been studied. The first objective dwells on the impact of index investment and speculative sentiment on price discovery share of futures market. This study finds that index investment and speculative sentiment in commodity futures market reduces the price discovery share of futures market for indexed agricultural commodities. Further, in the second objective, a Financialization Index is developed by combining the various indicators of financialization such as comovement of commodity futures with equity markets, cross-commodity comovement, and speculation. The financialization index provides empirical evidence regarding the level of financialization for individual commodity futures across the last 20 years period. It also highlights that indexed commodity are showing a higher level of speculation, comovement, and financialization compared to non-indexed commodities. Subsequently, as part of the third objective, the Financialization Index is used to show the negative impact of financialization on price discovery share of futures market. Finally, the impact of the Sino-US trade war on price discovery of Soybean has been empirically analyzed. The unique findings from the dissertation provides various managerial and policy implications for the stakeholders and participants of the commodity futures markets.