



# Global Commodity Markets Volatility

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*Global Markets Advisory Committee (GMAC)  
US Commodity Futures Trading Commission  
February 13, 2023*

*Jacqueline Mesa, Chief Operating Officer and  
Senior Vice President, Global Policy*



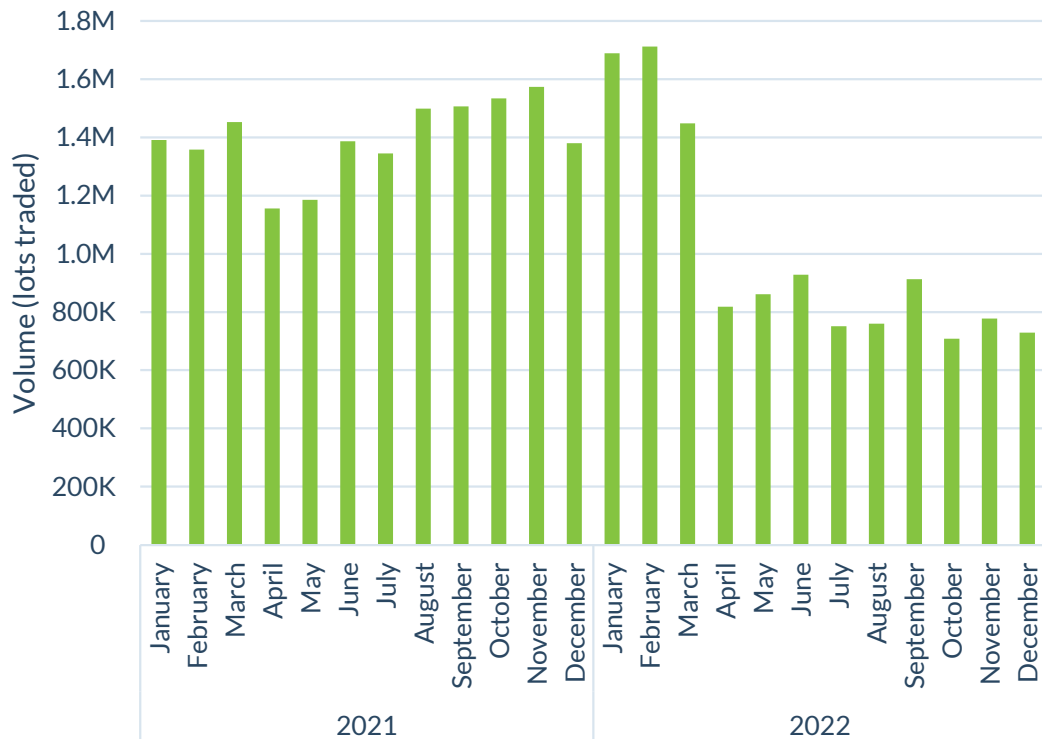
# LME: Oliver Wyman Independent Review

- March 3, large price increases across all metals and increases in margin calls
- In Nickel:
  - large exposed short positions,
  - more buying to hedge risk,
  - further pushing prices up and increasing margin
- Between March 4-8, nearly 16bn in margin calls met by members
- Price of Nickel increased 270% over 3 days
- Due to threat of numerous defaults, LME suspended trading on March 8 for a week and canceled 3.9 billion in trades

# Impact of Nickel Crisis

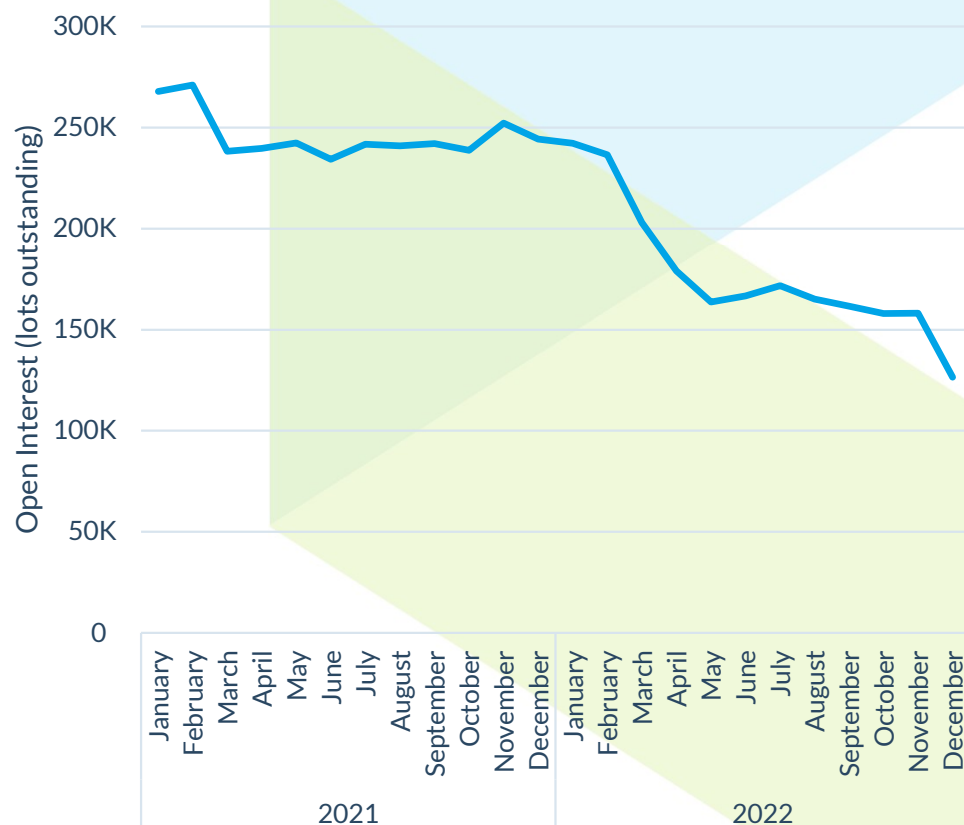
## LME Nickel Futures Volume

■ Primary Nickel Futures, LME



## LME Nickel Futures Open Interest

— Primary Nickel Futures, LME





# LME: Oliver Wyman Independent Review

- Report did not look at governance and decision making
- Report identified recommendations, including:
  - Monitoring and addressing risks in the OTC market
  - Setting position/accountability limits that are tailored to the market/product
  - Putting in place volatility controls to slow down extreme price movements (circuit breakers)
  - Rehearsing default management, such as orderly closing out positions
  - Providing a clear vision for how LME will respond to events and rebuild liquidity



# IOSCO Principles For Regulation and Supervision of Commodity Derivatives Markets

**Price Limits and Trading Halts** Price limits, which set boundaries for daily price moves, price-quality bands, trading halts and circuit breakers have been used by markets to address market volatility. Market Authorities may adopt price limits, trading halts and circuit breakers to:

- 1) reduce or constrain price movements in a trading day that are perceived by the relevant Market Authorities as not being reflective of true market conditions, but might be caused by traders overreacting to new information;
- 2) provide a cooling off period for futures market participants to respond to bona fide changes in market supply and demand fundamentals that would lead to large cash and commodity derivatives contracts price changes;
- 3) allow additional time for the collection of margins in times of large price movements;
- 4) prevent excessive collateral damage to other market participants who base their trading on market levels created through error; and
- 5) enable the relevant Market Authorities to develop appropriate responses in the circumstances.



**FIA**