

Abstract

This thesis examines efficiency of several CME commodity futures and its relation to market liquidity over the ten years period. The goal is to find ARMA model that is better than white noise in terms of forecasting power and carry out analysis of market liquidity if we find such model. This is done by comparing selected ARMA models to white noise. In order to do that, we use Diebolt - Mariano test on forecast errors obtained by pseudo out - of - sample analysis using rolling window with re - estimation. Concern of further analysis are factors, that can influence the DM statistics.

Main findings are, that we are able to find such ARMA model for small enough time period within the ten years period for almost all commodities. For most commodities, this sub period is not long enough to violate efficient market hypothesis. Only for palladium and lean hog futures this period is longer than one year. These two futures shows strong signs of inefficiency, as its predictability is not out - weighted by liquidity restrictions.