Do Index Fund Traders React to USDA Announcements?

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INTRODUCTION
We conduct parametric and nonparametric tests for differences in position changes during report-release weeks and non-report-release weeks for each announcement and commodity.

Regression Model

\[ Y_{i,t} = \beta_0 + \beta_1 \text{COT} + \beta_2 \text{USDA} + \beta_3 \text{COT} \times \text{USDA} + \epsilon_{i,t} \]

where \( Y_{i,t} \) is the position change for commodity i at time t, \( \beta_0 \) is the intercept, \( \beta_1 \) and \( \beta_2 \) are coefficients for the COT and USDA, respectively, and \( \epsilon_{i,t} \) is the error term.

DATA AND METHOD
We use weekly open interest data from traditional futures and options combined Commitment of Traders reports (COT) and Commodity Index Trader Supplement reports (CTI), released by the Commodity Futures Trading Commission (CFTC).

RESULTS
Statistical Tests for CIT Positions in Corn Futures

<table>
<thead>
<tr>
<th>Commodity</th>
<th>Non-CIT Commercial</th>
<th>Non-CIT Non-Commercial</th>
<th>CIT Commercial</th>
<th>CIT Non-Commercial</th>
<th>CIT Combined</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sugar</td>
<td>1.25</td>
<td>1.28</td>
<td>1.67</td>
<td>2.13</td>
<td>1.87</td>
</tr>
<tr>
<td>Wheat KCBOT</td>
<td>1.68</td>
<td>1.67</td>
<td>1.67</td>
<td>1.67</td>
<td>1.67</td>
</tr>
<tr>
<td>Coffee</td>
<td>2.56</td>
<td>2.66</td>
<td>2.77</td>
<td>2.77</td>
<td>2.77</td>
</tr>
<tr>
<td>Cotton</td>
<td>0.73</td>
<td>0.74</td>
<td>0.75</td>
<td>0.76</td>
<td>0.76</td>
</tr>
<tr>
<td>Soybeans</td>
<td>1.81</td>
<td>1.83</td>
<td>1.84</td>
<td>1.84</td>
<td>1.84</td>
</tr>
<tr>
<td>Wheat KCBOT</td>
<td>1.68</td>
<td>1.67</td>
<td>1.67</td>
<td>1.67</td>
<td>1.67</td>
</tr>
</tbody>
</table>

We find significant changes in positions for corn, soybeans, soybean oil, coffee, cotton, sugar, lean hogs, and live cattle futures following USDA announcements.

IMPLICATIONS
There exists obvious difference in the responsiveness to USDA announcements among the different categories of traders analyzed.

REFERENCES