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Global Commodities

Physical, Financial, and Sustainability Aspects

By

Murad Harasheh

Dedication

To my parents

To my wife

Acknowledgment

This piece of work wouldn't have been released without the support of many people. First, I would like to thank the editor, the editorial board, and the technical staff for their hard work in making the publication process more efficient—special thanks to the three anonymous reviewers for their positive feedback and suggestions for improving the book. Finally, I am highly grateful to Monserrath Lascano for her key technical and format support.

Preface

For many people, including professional managers, academics, and students, the field of commodities is a black box, and, in some cases, people try to avoid it, already having a prejudice of its complexity. I think such prejudice is due to the lack of a simplified book or manual trying to explore commodities in a fluid and holistic manner without compromising the substance and the fact that existing related books are too technical in professional or academic orientation. The concepts presented in this book are usually treated separately in different books; hence in this book, I treat Global Commodities from multidisciplinary business and financial perspectives, offering a panoramic view of Global Commodities Business and Markets.

In this book, I smoothly present core issues related to global commodities, trying to demystify Global Commodities for different types of readers relying on recent data, including the COVID-19 initial period. I start by introducing the key physical commodities traded globally and some related issues such as the global supply chain, global trading in the physical commodity, transportation, storage, and how to finance global commodity trades. Then, I discuss how global commodity businesses and traders manage global risks related to commodity production (generation or extraction), transportation, storage, the final delivery, and risks related to currency exchange since commodities are moving globally.

Later, I lead the reader to the financial commodities, the origins of global commodity derivatives and exchanges, the rationale behind the birth of commodity futures and trading, then hedging, speculation, financialization, and manipulation of commodity markets, and how financial trading is executed in global commodity derivatives offering some technical analysis examples.

The last two parts of this book differentiate it from others in that I integrate the sustainability issues related to global commodities and the financial valuation aspects of the global commodity businesses owning natural resources supported by real cases with recent data.

This book is appropriate as a special module in the courses of International Finance, International Economics, International Business, Global Supply Chain in the advanced undergraduate courses, for MBA students, and Master courses in the related fields. It's also appropriate as a special training course offering a quick introduction for business managers and those seeking a career in global commodity analysis and consulting.

Four main novelties of this book that differentiate it from others:

- 1- The topics I cover have usually been dealt with separately; some books describe only the physical supply chain of commodities, while others focus on financial aspects and financialization of commodities in a technical manner. In this book, I aggregate the topics in one fluid book, offering a quick introduction to global commodities for the target readers.
- 2- Financial valuation issues are almost only covered in Corporate Finance books, here, I integrate this topic, offering valuations for commodity businesses from real cases using recent data.
- 3- The sustainability part is an important emerging topic, especially in commodities due to their negative ESG externalities, so I think integrating this topic adds value to the book since little literature talks about sustainability in commodities.
- 4- Finally, I adopt and analyze recent commodity data covering the COVID-19 pandemic.

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