

FLUCTUATIONS IN WHEAT FUTURES

SUMMARY AND CONCLUSIONS

CAUSE OF WIDE FLUCTUATIONS

While this investigation did not reveal any concentrated action for the deliberate purpose of manipulating the market, most of the wide and erratic price fluctuations that occurred in wheat futures at Chicago during the early part of 1925 were largely artificial and were caused primarily, either directly or indirectly, by heavy trading on the part of a limited number of professional speculators. Some of the speculators, and especially those operating first on one side of the market and then on the other, were able to take advantage of the technical conditions of the market by forcing prices into stop-loss orders or to a point of exhausted margins. These large-scale buying and selling operations completely disrupted the market and resulted in abnormal fluctuations, which were felt in every other large grain market in the world.

Among the professional speculators were also those who operated, for the most part and up to a certain point, with apparent due regard for fundamental conditions, and with probable constructive influence. However, the rapid liquidation of these relatively large commitments, in an already demoralized market, aided in widening the daily fluctuations. Likewise, the operations of professional speculators were facilitated to a considerable degree by the large participation in the market by the general public during the latter part of January, after material advance in price had occurred, and again the latter part of February and early in March just prior to the drastic decline.

In this connection, and in order that erroneous conclusions may not be drawn regarding the functions of speculators generally, it should be noted that in so far as this study touches the operations of so-called scalpers and spreaders, it does not appear that this class of trading although large in volume had any measureable effect in causing the wide day-to-day fluctuations. What their effect may be in causing smaller minute-to-minute fluctuations is not determined. During this period hedging operations were carried on, if at all, only with great difficulty and with extremely unsatisfactory results. Neither the placing of hedges nor their removal or shifting from one month to had any appreciable effect in disturbing the market or causing the wide fluctuations.

FACTS LEADING TO INVESTIGATION

During the period from July 8, 1924, to the end of January, 1925, the price of May wheat advanced from \$1.19 $\frac{3}{8}$ to \$2.05 $\frac{7}{8}$, or 86 $\frac{1}{4}$ cents, a most unusual advance in price during peace times. The