



## **Overreaction and Underreaction in the Commodity Futures Market**

**Chuan-Hao Hsu<sup>a</sup>, Yi-Chein Chiang<sup>b</sup>, Tung Liang Liao<sup>c</sup>**

a. Ph.D. Program in Business, Feng Chia University, Taichung, Taiwan

b. Department of International Trade, Feng Chia University, Taichung, Taiwan

c. Department of Finance, Feng Chia University, Taichung, Taiwan

---

**Abstract:** Using an event-study methodology, this study examines the overreaction and underreaction in the commodity futures markets, including softs, grains, livestock, metals and energies. An underreaction phenomenon in agricultural commodities (softs, grains and livestock) and an overreaction phenomenon in non-agricultural commodities (metals and energies) are found. Even after controlling for potentially confounding factors, the cross-sectional analysis confirms that the non-agricultural commodities, especially for the winners, experience stronger degrees of overreaction than the agricultural commodities.

JEL Code: G13; G14

Key Words: Overreaction, Underreaction, Geopolitical Risk

---