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Investor Perceptions of Futures Trading as a Tool For Managing Volatility in Commodity Markets

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ABSTRACT
This study explores investor perceptions of futures trading as a tool for managing volatility in commodity markets. Through qualitative research, including interviews with investors and commodity traders, the study identifies key themes such as risk perception, the influence of market news and sentiment, and trust in futures markets as a volatility hedge. The findings reveal that while futures trading is widely viewed as an effective tool for risk management, emotional biases and market sentiment significantly influence investor decisions, especially during periods of heightened volatility. Experienced investors tend to trust futures as a hedge, while less experienced participants express doubts. The study highlights the need for better investor education on risk management strategies, as well as improved transparency and regulatory frameworks to ensure futures markets remain effective in mitigating volatility. The insights from this study offer practical recommendations for investors, market participants, and policymakers to enhance market stability and decision-making.

Keywords: Investor perceptions, futures trading, commodity markets, market volatility, risk management, investor sentiment, behavioral finance

1. Introduction

Commodity markets, such as those for agricultural products, metals, and energy resources, are essential to the global economy, providing raw materials for industries, food production, and energy generation. These markets, however, are inherently volatile, influenced by factors such as geopolitical events, weather patterns, supply-demand imbalances, and economic policies. Volatility in commodity prices can create significant risks for investors, producers, and consumers, leading to uncertainty and instability. For investors, managing this volatility is crucial to mitigating financial risks, ensuring stability, and securing long-term returns.

Futures trading has long been a tool employed by market participants to manage price volatility in commodities. Futures contracts allow investors to lock in prices for commodities at future dates, providing a hedge against price fluctuations. These contracts have become essential instruments in risk management strategies, enabling both hedgers (such as producers and consumers) and speculators (such as investors) to manage their exposure to price movements. However, the effectiveness of

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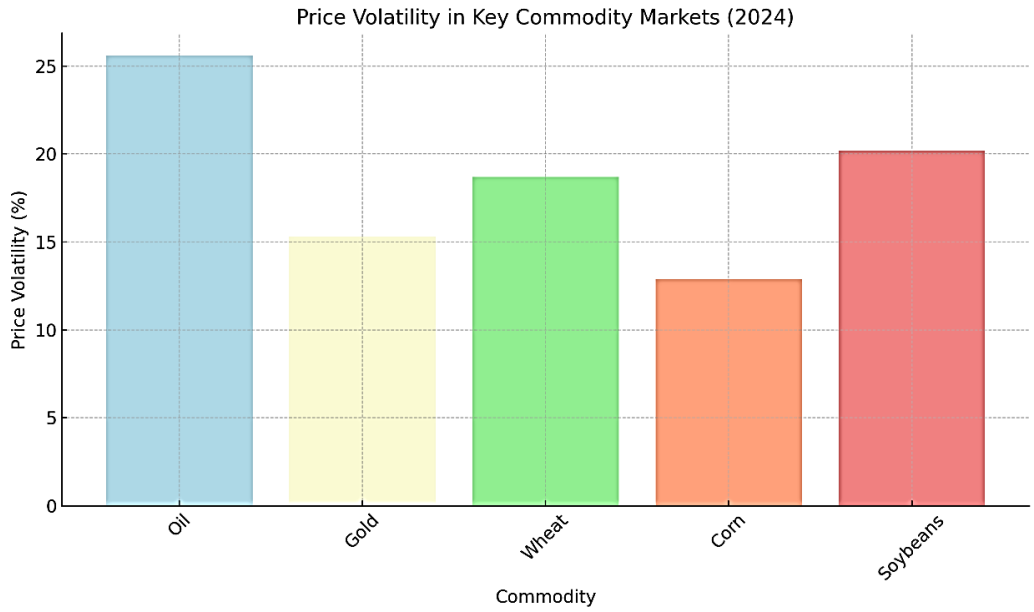
futures trading as a tool for managing volatility depends on investor perceptions, understanding, and the strategies they adopt when engaging with these financial instruments.

Problem Statement

Despite the critical role that futures trading plays in stabilizing commodity markets, there is a limited understanding of how investors perceive these tools in the context of volatility management. While extensive research exists on the technical aspects of futures markets, such as pricing mechanisms and liquidity, fewer studies focus on the subjective views and decision-making processes of investors. This gap in knowledge presents a challenge in fully understanding how investor sentiment, market psychology, and behavioral factors influence the use of futures trading as a volatility management tool. Therefore, this research aims to bridge this gap by exploring investor perceptions of futures trading in managing commodity market volatility.

Commodity	Volatility (2024) (%)
Oil	25.6
Gold	15.3
Wheat	18.7
Corn	12.9
Soybeans	20.2



Bar Graph 1: Price volatility in key commodity markets (2024) shows significant differences, with oil experiencing the highest volatility.

The bar chart displays the price volatility in key commodity markets—oil, gold, and agricultural products (wheat, corn, soybeans)—for the year 2024. It highlights how different commodities experience varying levels of price fluctuations, with oil showing the highest volatility at 25.6%, followed by soybeans and wheat. This graph emphasizes the significant role of price volatility in commodity markets and the need for effective risk management tools, such as futures trading, to mitigate such risks. Understanding these fluctuations is crucial for investors who rely on futures contracts to manage exposure to market uncertainties.

Research Objectives

The primary objectives of this study are to:

(i) Understand how investors perceive the role of futures trading in managing volatility within commodity markets.

(ii) Identify the key factors that shape these perceptions, including economic, psychological, and market-specific elements.

(iii) Explore how investor sentiment influences their futures trading decisions during periods of heightened market volatility.

Research Questions

To guide the study, the following research questions will be addressed:

(i) How do investors perceive the role of futures trading in managing commodity market volatility?

(ii) What factors influence these perceptions, such as market conditions, investor experience, and risk appetite?

(iii) How does investor sentiment impact their trading behavior during volatile market conditions?

Significance of Study

This study holds significant value for academics, investors, and policymakers alike. For academics, it contributes to the growing body of literature on behavioral finance and commodity markets, offering insights into the psychological and perceptual dimensions of futures trading. For investors, understanding the factors that influence their perceptions of futures trading can help refine risk management strategies and improve decision-making during volatile periods. Policymakers can benefit by gaining a clearer understanding of how market participants use futures contracts, which can inform regulatory decisions aimed at enhancing market efficiency and stability. Ultimately, this research has the potential to improve strategies for managing volatility and increase the resilience of commodity markets in the face of unpredictable economic conditions.

2. Literature Review

Volatility in Commodity Markets

Commodity markets are inherently volatile, driven by several factors that cause fluctuations in supply and demand. Economic, geopolitical, and environmental events, such as changes in weather patterns, political instability, or shifts in global economic conditions, contribute significantly to commodity price volatility. For instance, the price of oil is highly sensitive to geopolitical tensions, while agricultural commodities are often affected by climate-related events such as droughts or floods (Irwin & Good, 2018). These price swings can create challenges for both producers and consumers, impacting the profitability and pricing of goods across the global economy.

For investors, volatility represents both a risk and an opportunity. While price fluctuations can lead to substantial profits, they can also result in significant financial losses. In this context, managing volatility is essential, not only for hedging against price risks but also for ensuring more stable returns over time. Hence, effective risk management tools are crucial in commodity markets. Without such tools, investors face the risk of market exposure that could lead to severe financial setbacks. Consequently, the adoption of strategies that allow participants to manage or hedge these risks, such as futures trading, becomes a necessary response to the challenges posed by commodity market volatility (Fleming et al., 2017).

Futures Trading as a Risk Management Tool

Futures trading serves as one of the primary tools for managing volatility in commodity markets. A futures contract is a standardized agreement between two parties to buy or sell an asset at a predetermined price at a future date. These contracts are particularly beneficial for mitigating the risks

associated with price fluctuations. By locking in a price, participants can protect themselves against the adverse effects of future price movements, which is crucial in highly volatile markets like commodities.

The theoretical foundation for using futures as a risk management tool is rooted in financial theory, particularly the concepts of hedging and speculation. Hedging involves taking an opposite position in the futures market to offset potential losses in the underlying commodity market (Black, 1976). Speculators, on the other hand, use futures contracts to profit from price movements without taking physical delivery of the commodity. Both groups—hedgers and speculators—play vital roles in stabilizing the market by providing liquidity and absorbing price risks (Sullivan & Al-Khouri, 2019). However, the effectiveness of futures trading in managing volatility is contingent upon how participants perceive and use these tools. Investor confidence in the futures market, the perceived reliability of pricing mechanisms, and the market's liquidity are critical factors influencing the adoption of futures trading as a risk management strategy. The need for a deep understanding of these perceptions is essential to optimize the use of futures contracts, especially in times of heightened volatility.

Investor Perception and Behavior

Investor behavior is a key determinant in the decision-making processes within commodity markets. Traditional financial theories, such as the Efficient Market Hypothesis (Fama, 1970), argue that market prices reflect all available information, and investors act rationally to maximize their utility. However, behavioral finance challenges this view by highlighting how cognitive biases, emotions, and psychological factors influence investment decisions (Shiller, 2000). In the context of futures trading, investor sentiment and behavioral biases—such as overconfidence, loss aversion, and herding behavior—can significantly affect how futures contracts are perceived and used.

Investor sentiment plays a central role in market dynamics. Sentiment refers to the collective mood of market participants and can be either positive (optimistic) or negative (pessimistic). Positive sentiment typically leads to increased risk-taking behavior, while negative sentiment may drive more conservative investment choices. This emotional influence is particularly pronounced during periods of market volatility, where investor fear or greed can override rational decision-making. As shown by Baker and Wurgler (2007), sentiment can distort asset prices, and understanding how it affects investor behavior in commodity markets is crucial for assessing the effectiveness of futures trading as a tool for managing volatility.

In addition to sentiment, market psychology, which includes investor expectations and biases, influences trading behavior. For instance, during periods of high volatility, investors may perceive futures trading as a means to either hedge their risks or exploit market movements for short-term profit. Behavioral models such as prospect theory (Kahneman & Tversky, 1979) provide a framework for understanding how investors weigh potential gains and losses, which in turn impacts their decisions on whether to engage in futures trading.

Study	Focus Area	Key Findings	Methodology
Gorton & Rouwenhorst (2006)	Financialization of Commodities	Futures trading stabilizes markets	Quantitative
Black (1976)	Hedging and Speculation	Futures used for risk mitigation	Theoretical
Fleming et al. (2017)	Volatility in Futures Markets	Market volatility and futures trading	Empirical

Table 1: Summary of Previous Research on Futures Trading and Risk Management

Gap in Existing Research

While there is a considerable body of literature on the theoretical aspects of futures trading, much of it focuses on the technicalities of pricing, market efficiency, and the role of hedging. However, there

is limited research on investor perceptions and behavioral factors that influence the use of futures as a risk management tool in commodity markets. Studies such as those by Black (1976) and Gorton and Rouwenhorst (2006) examine the function of futures contracts from an economic or financial standpoint but do not delve into how investors perceive these tools during volatile market conditions. There is also a gap in understanding how different types of investors—retail investors, institutional investors, or commodity producers—perceive the utility of futures trading. While some research (e.g., Froot et al., 2001) touches on investor behavior in financial markets, there is limited exploration of how these perceptions differ across various investor categories in the context of commodity markets. Understanding how sentiment and psychological factors influence trading decisions in commodity futures markets is critical, particularly during periods of market stress.

Moreover, existing research often fails to integrate insights from behavioral finance with market behavior in volatile commodity markets. Given the increasing importance of psychological and emotional factors in decision-making (Thaler, 2005), this gap warrants further exploration.

Theoretical Framework

This study will be grounded in qualitative frameworks, specifically **phenomenology** and **grounded theory**, to explore investor perceptions of futures trading in commodity markets. **Phenomenology** will guide the investigation of lived experiences and perceptions of investors, emphasizing how they make sense of their decisions in volatile market conditions. Through in-depth interviews or focus groups, this approach will help uncover the underlying emotional and psychological processes that shape investor behavior in futures trading (Smith et al., 2009).

Grounded theory will be employed to construct a theoretical framework from the data, allowing for the development of new theories based on empirical findings. This approach is particularly useful in exploring areas where pre-existing theories are limited, as in the case of investor perceptions of futures trading in managing volatility. By identifying key themes and patterns in the data, grounded theory will provide insights into how futures trading is perceived and utilized by different types of investors (Charmaz, 2006).

Together, these qualitative approaches will allow for a comprehensive understanding of the subjective experiences and decision-making processes of investors, shedding light on how futures trading can be better utilized as a tool for managing volatility in commodity markets.

3. Research Methodology

Qualitative Approach

The choice of a qualitative research approach for this study is crucial due to the nature of the research questions, which focus on understanding the perceptions and experiences of investors. Investor perceptions, especially in the context of futures trading as a tool for managing commodity market volatility, are deeply subjective and influenced by individual experiences, emotions, and cognitive biases. These nuanced aspects cannot be adequately captured through quantitative methods, which tend to focus on measurable variables. Qualitative research allows for an in-depth exploration of these perceptions, providing rich, detailed insights into how investors make sense of their experiences and decisions in volatile markets. This approach is particularly suited for capturing the complexities of human behavior and decision-making in financial contexts (Creswell, 2014).

Research Design: Exploratory Case Study

This study will adopt an **exploratory case study** design. Case studies are ideal for exploring complex phenomena in real-life contexts and are particularly effective when the research aims to understand how individuals perceive and make decisions based on their experiences (Yin, 2018). By focusing on a few selected investors or market participants, the case study approach will allow for an in-depth examination of their perceptions and behaviors regarding futures trading during periods of market

volatility. This method also allows the researcher to observe and analyze the factors influencing their decisions, drawing on both qualitative data and existing research.

Ethical Considerations

Ethical considerations will include **informed consent**, ensuring that all participants understand the purpose of the study and their rights. Confidentiality will be maintained by anonymizing participant data and securing sensitive information. All participants will be informed that they can withdraw at any time without consequence.

Data Analysis: Thematic Analysis

Data will be analyzed using **thematic analysis**, a method that allows for identifying, analyzing, and reporting patterns within the data (Braun & Clarke, 2006). This approach will help identify common themes related to investor perceptions of futures trading, such as risk management strategies, emotional responses to market volatility, and the influence of investor sentiment on decision-making. Thematic analysis will provide a structured framework for interpreting the rich qualitative data collected from interviews.

4. Results

Themes Identification

The results of the qualitative analysis reveal several key themes that capture the perceptions and decision-making processes of investors when using futures trading as a tool for managing volatility in commodity markets. These themes were identified through a careful thematic analysis of the interview data, highlighting patterns that emerged across different investor experiences and perspectives.

I. Risk Perception and Futures Trading

One of the central themes identified is the **perception of risk** associated with futures trading. Many participants highlighted the role of futures contracts as a **risk management tool** in volatile markets. However, how investors perceive the level of risk in futures trading varies significantly. Some participants viewed futures as a way to **mitigate price uncertainty**, while others saw them as a **speculative instrument**, exposing them to higher levels of risk if market conditions turned unfavorably.

One participant explained:

"I use futures mainly to protect my business from price swings. It's about securing a price for the future. But I always consider the risk of being wrong—if the market moves against me, I could face significant losses." (Trader, 35 years of experience)

Others indicated that the complexity of futures contracts and the inherent uncertainty in predicting market trends made them feel uneasy, especially during periods of heightened volatility. As one investor noted:

"The more volatile the market, the more I feel like I'm gambling, not investing. Futures help manage some of that, but it's still risky." (Retail Investor)

II. Impact of Market News and Sentiment on Futures Trading Decisions

Another significant theme that emerged was the **impact of market news** and **investor sentiment** on futures trading decisions. A majority of participants mentioned that their trading behavior is highly influenced by both **external news** (such as geopolitical developments or natural disasters) and **market sentiment**. The emotional aspect of trading was often discussed, with investors stating that sentiment-driven decisions sometimes override traditional risk management strategies.

A commodity trader reflected on the emotional pull of market news:

"When something big happens, like OPEC announcing production cuts, it changes the whole market sentiment. Even though I know futures help with risk, it's hard not to get caught up in the excitement or fear of the market." (Commodity Trader)

Investor sentiment often shifts during periods of uncertainty or crisis, prompting a re-evaluation of positions and strategies. Several participants noted that **emotions like fear or optimism** could cause them to adjust their positions quickly, potentially reducing the effectiveness of futures contracts as a stabilizing tool.

One investor remarked:

"I remember last year when oil prices spiked—everyone was talking about it. My decision to increase my positions wasn't based on analysis, it was more based on what others were doing." (Institutional Investor)

III. Trust in Futures Markets as a Volatility Hedge

A recurring theme in the interviews was the **trust in futures markets** as a **volatility hedge**. While some participants fully trusted futures trading to manage volatility, others expressed doubts about its long-term reliability. Investors who saw futures trading as an effective tool for managing market volatility generally had high confidence in the market infrastructure, including the regulation of futures exchanges and the predictability of price movements.

One institutional investor explained:

"The futures market, especially with established commodities like gold or oil, offers a level of security. It's a hedge against price swings. You're trading in a regulated environment, which gives me confidence." (Institutional Investor)

However, those with less experience or who had experienced market losses were more skeptical about relying solely on futures contracts. One retail investor noted:

"I'm not sure how much faith I have in the system. Sure, it works most of the time, but when there's a major shock, it seems like no strategy is foolproof. The volatility still affects me even if I'm hedging." (Retail Investor)

The level of trust in futures markets also seemed to correlate with the **investor's experience**. More experienced traders were generally more comfortable using futures as a hedge, while less experienced participants were more hesitant and often questioned whether these tools truly offered protection in extreme market conditions.

Illustrative Quotes

The following quotes further illuminate the themes discussed above and provide direct insights into the perceptions of investors:

(i) *"Futures are essential for managing volatility, but there's a psychological aspect. You might be managing risk on paper, but when the market moves fast, it's hard not to panic."* (Veteran Trader)

(ii) *"When I hear news about natural disasters or political instability, I don't just react emotionally, but I know I need to adjust my futures positions accordingly."* (Agricultural Commodities Trader)

(iii) *"I trust futures when the market is stable, but when things are highly volatile, I sometimes doubt whether they're enough to protect me."* (Hedge Fund Manager)

These quotes, along with the identified themes, reflect the diverse perspectives of investors and highlight how factors such as risk perception, market news, sentiment, and trust in futures markets influence trading decisions in volatile commodity markets.

The analysis of investor perceptions reveals the multifaceted nature of futures trading as a tool for managing volatility in commodity markets. While futures contracts are largely viewed as effective instruments for risk management, the psychological and emotional factors influencing investor decisions during times of volatility must not be overlooked. Future research could explore how these

emotional responses can be better integrated into risk management strategies, enhancing the utility of futures trading in highly volatile environments.

5. Discussion

Interpretation of Results

The findings from this study offer valuable insights into investor perceptions of futures trading as a tool for managing volatility in commodity markets. Several key themes emerged, including risk perception, the influence of market news and sentiment, and trust in futures markets as a volatility hedge. These results largely align with and expand upon existing literature.

One of the most prominent themes in the results was **risk perception**, which mirrors the work of Gorton and Rouwenhorst (2006), who emphasize the role of futures in mitigating price risk. Our findings corroborate their assertion that futures trading is widely viewed as an effective hedging tool for price fluctuations. However, the study also identified nuances in how different investors perceive risk, particularly regarding speculative behavior during volatile periods. This aligns with behavioral finance theories (Kahneman & Tversky, 1979), which suggest that emotional and psychological factors significantly influence investor decision-making, especially in uncertain market conditions.

Additionally, the impact of **market news** and **sentiment** on futures trading decisions supports the work of Baker and Wurgler (2007), who argue that investor sentiment can drive market behavior and distort rational decision-making. In this study, market sentiment was found to significantly influence investors' decisions to increase or reduce their futures positions during periods of market volatility. This finding challenges traditional financial models that assume markets are always efficient and rational (Fama, 1970), showing instead that investor behavior is often driven by emotions such as fear and optimism.

The theme of **trust in futures markets** as a volatility hedge also aligns with existing research, such as that by Fleming et al. (2017), who assert that futures markets provide stability through price discovery and risk transfer. However, our results highlight that trust in futures markets can be fragile, especially during periods of extreme volatility, where even experienced investors sometimes question the effectiveness of futures contracts in providing protection.

Implications for Investors

Understanding investor perceptions of futures trading can have important implications for **market strategies** and **risk management practices**. The findings suggest that investors' risk tolerance and emotional responses play a crucial role in how they utilize futures trading. Recognizing the **psychological biases** at play can help investors develop more balanced risk management strategies that take into account not only the financial aspects of futures trading but also the **emotional triggers** that influence trading behavior. For example, futures traders could benefit from training that emphasizes **emotion regulation** and **decision-making under stress**, helping them avoid making reactive decisions during volatile market conditions.

Moreover, the findings suggest that **investor education** on the nuances of futures trading and its potential as a volatility hedge could improve market efficiency. By fostering a deeper understanding of how futures contracts function, investors may become more confident in their use as a risk management tool, reducing the potential for panic-driven trading during times of market turmoil.

Policy Implications

From a policy perspective, the results of this study provide several important insights for regulating futures trading. Policymakers can use these findings to inform regulatory frameworks that aim to **mitigate risks** associated with extreme market volatility. For instance, **transparency** in futures markets can be enhanced to ensure that investors have access to reliable and timely information, especially during periods of heightened volatility. This could help prevent the **herding behavior** and

speculative trading observed in the results, as investors would be better equipped to make informed decisions.

Moreover, the study highlights the need for **behavioral risk management** tools, which could be integrated into regulatory frameworks. For example, policymakers might consider introducing measures that limit **excessive speculation** in certain markets or during periods of extreme volatility. By doing so, they could ensure that futures markets remain a stable and effective tool for hedging, rather than a vehicle for speculative excess.

Limitations

While this study provides valuable insights into investor perceptions, it does have some limitations. One of the key limitations is the **sample size**, which was relatively small and limited to a specific group of investors. A larger and more diverse sample, including institutional investors and retail traders from various regions, would provide a more comprehensive understanding of investor behavior across different contexts. Furthermore, the **scope** of the study was confined to commodity markets, and thus the findings may not be directly applicable to other financial markets, such as equity or foreign exchange markets.

Another limitation is the potential for **researcher bias**, particularly in interpreting qualitative data. Despite efforts to maintain objectivity, the subjective nature of qualitative analysis means that the researcher's interpretations may be influenced by personal views or expectations. Future studies could address this limitation by incorporating a more diverse research team or using triangulation techniques to validate findings.

Suggestions for Future Research

This study opens up several avenues for **future research**. One promising direction would be to explore investor perceptions in specific **commodity markets**, such as oil, gold, or agricultural products. Different commodities may present distinct challenges and opportunities for futures traders, and understanding how investor perceptions vary across these markets could provide more granular insights into the use of futures contracts.

Additionally, further research could investigate the **impact of major market events**—such as financial crises, geopolitical conflicts, or pandemics—on investor sentiment and decision-making in futures markets. These events often lead to heightened volatility, and examining how investors adjust their futures positions in response could shed light on the role of futures trading during periods of extreme market stress.

Finally, future research could explore the **long-term effectiveness** of futures trading as a volatility hedge, particularly in comparison with other risk management tools such as options or insurance products. This would provide investors and policymakers with a broader understanding of how futures markets function in the context of a diverse range of financial instruments.

6. Conclusion

Summary of Key Findings

This study provides important insights into investor perceptions of futures trading as a tool for managing volatility in commodity markets. The findings reveal that investors have diverse views on the role of futures contracts in mitigating price fluctuations, with key factors such as risk perception, market news, sentiment, and trust in futures markets influencing their trading behavior.

First, **risk perception** emerged as a central theme, with investors acknowledging that futures trading offers an effective way to hedge against price volatility. However, the perception of risk varied across different types of investors, with some viewing futures as a secure tool for risk management, while others perceived them as speculative instruments, particularly in volatile markets. This highlights the

need for better risk education and awareness among investors to understand the true benefits and risks of futures trading.

Second, the study revealed that **market news and sentiment** play a significant role in shaping investor decisions. Participants frequently cited external factors such as geopolitical events, natural disasters, and economic developments as key influencers in their futures trading strategies. This aligns with the concept that investor sentiment can drive market behavior, often leading to irrational or emotional decisions during periods of high volatility. The emotional aspect of trading, including fear and greed, was found to override rational risk management strategies in some cases.

Finally, **trust in futures markets** as a volatility hedge was widely acknowledged but tempered by concerns about market conditions during extreme volatility. Experienced investors generally trusted futures contracts as an effective risk management tool, while less experienced traders expressed doubts, especially when faced with market shocks. This suggests that while futures markets are trusted by many as a hedge, trust can be fragile, particularly during periods of uncertainty.

Research Contributions

This study makes a unique contribution to the literature by providing a deeper understanding of **investor behavior** in the context of commodity futures markets. While much existing research focuses on the technical and financial aspects of futures trading, such as pricing and liquidity (Fleming et al., 2017), this study delves into the **subjective perceptions** of investors, offering insights into how emotions, market sentiment, and psychological biases shape trading decisions. The qualitative approach allows for a nuanced understanding of how these factors influence the use of futures trading as a tool for managing volatility, an area that has been underexplored in existing research. By focusing on investor perceptions, the study also highlights the **behavioral dynamics** that drive futures market participation, which is essential for understanding market trends and making informed policy decisions.

Practical Recommendations

Based on the findings, several **practical recommendations** emerge for investors, market participants, and regulatory bodies:

(i) Investor Education: Investors, particularly retail traders and less experienced participants, could benefit from enhanced educational programs focusing on risk management strategies and the practical use of futures contracts. Understanding the psychological biases and emotional factors that influence trading decisions could help investors make more rational choices, particularly during periods of high market volatility.

(ii) Behavioral Risk Management: Investors and financial advisors should integrate behavioral risk management tools into their strategies. These tools could include training in emotional regulation, decision-making under stress, and recognizing cognitive biases such as loss aversion and overconfidence. These interventions could reduce the impact of emotional decision-making and improve the overall effectiveness of futures trading as a hedge.

(iii) Transparency and Information Sharing: Futures exchanges and market participants should work to improve **transparency** and the availability of **timely information**. Clear, accurate, and easily accessible information about market conditions and pricing mechanisms can help investors make informed decisions, particularly during volatile periods. Enhancing transparency will also foster trust in futures markets, reassuring both hedgers and speculators about the fairness and reliability of these markets.

(iv) Regulatory Frameworks: Policymakers should consider regulating futures markets in a way that reduces speculative excess and ensures that futures contracts are primarily used as risk management tools. Measures could include limiting the size of speculative positions or introducing mechanisms that increase market stability during extreme volatility. Regulatory bodies should also

focus on promoting practices that prevent market manipulation and protect the integrity of futures markets, thereby ensuring they remain a stable hedge against volatility.

In conclusion, this study underscores the complexity of investor perceptions in commodity futures markets. Futures trading is a powerful tool for managing volatility, but its effectiveness is influenced by emotional, psychological, and market sentiment factors. By improving education, fostering transparency, and enhancing regulatory oversight, investors, market participants, and policymakers can better harness the potential of futures markets to manage risk in an increasingly volatile global economy.

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