

## Abstract

# **THE IMPACT OF FINANCIAL SPECULATIONS ON RETURN VOLATILITY OF FUTURES CONTRACTS**

This study examines how financial speculation influences the volatility of futures returns, particularly on coffee, rice, and orange juice as commodities. Through GARCH and TGARCH models, the study evaluates 10 years' worth of daily data from 2014-2024 to understand how speculative activity impacts market stability amongst these commodities. The findings reveal speculation does impact return volatility, though the effects differ among the commodities. Coffee and rice futures are sensitive to speculative activity, with rice being more sensitive during certain months in the year due to seasonality. Orange juice on the other hand, does not show clear signs of return volatility caused by speculation. This research provides an insight as to how speculation drives volatility in the agricultural commodity markets. Hopefully, these insights will prove valuable to policymakers, investors, and producers with the goal to minimize risk in the volatile commodity markets.

**Keywords:** Return Volatility, Speculative Activity, Commodity Markets.