PROFESSOR ROBERT I. WEBB'S CONTRIBUTIONS TO THE FIELD OF DERIVATIVES

BART FRIJNS[1]*, ALIREZA TOURANI-RAD[2]

1. Open Universiteit of the Netherlands
2. Auckland University of Technology

* Corresponding Author: Bart Frijns, Open Universiteit, the Netherlands ✉: bart.frijns@ou.nl

It is a great pleasure to publish this special issue dedicated to Professor Robert I. Webb for his outstanding contributions to academia. Professor Web, the Paul Tudor Jones II Research Professor at the McIntire School of Commerce at the University of Virginia in Charlottesville, was the Editor-in-Chief of the Journal of Futures Markets for 24 years, from 1997 to 2021. Through his efforts as an Editor, he has shaped and influenced derivatives research around the globe, lifting standards, indicating research directions, and engaging with derivative communities worldwide. To recognize the contributions of Prof. Webb, we have solicited papers from various editorial board members of the Journal of Futures Markets that make up this special issue.

Professor Webb has long been affiliated with the Auckland Centre for Financial Research (ACFR) and is an Honorary Fellow of that Centre. Since the inception of the ACFR, Prof. Webb has attended many of the conferences organized by the ACFR and has delivered keynote speeches, was involved as a member of the organizing committee, and acted as session chair. Most noteworthy are the contributions to the New Zealand Derivative Markets Conference that, over the years, grew to be a leading derivatives conference within the Asia-Pacific region. The Auckland Centre for Financial Research is very grateful for the many contributions of prof. Webb over more than a decade, and so we felt it was very appropriate to dedicate a special issue of Applied Finance Letters, the Journal of the ACFR, to Prof. Webb.

Our special issue is organized by the first publication of a specific editorial board member in the Journal of Futures Markets, where our first paper in this special issue is, of course, the paper by Prof. Webb.

Professor Robert Webb published his first paper in the Journal of Futures Markets in 1987, entitled "*A note on volatility and pricing of futures options during choppy markets*" (Webb, 1987). That paper started with the enticing sentence: "*Eskimos have a different word to describe each of the several types of snow they perceive*" (Webb, 1987, p. 333). This analogy was used in reference to the different types of volatility traders perceive in financial markets. The commonly accepted definition of standard deviation was just one of the "volatilities" experienced by traders. Nowadays, we indeed have different measures that indicate different "types of volatility": jumps, price discreteness-induced volatility, liquidity-induced volatility, etc.

In the current article published in this special issue, Professor Webb first reflects on the editorial process and the role of an editor. Second, he reflects on 24 years of derivatives research and how this research has evolved. In particular, he highlights a few fundamental changes that occurred to derivatives and derivative markets and how these changes have led to new avenues of research. The advent of electronic markets was, of course, one of these big changes that led to not only changes in market structure but also data availability. Over the years, many more changes have substantially altered the way research is conducted and the research questions that are asked.

The second article of this special issue is by Professor Gerald Gay. Professor Gay's first publication in the Journal of Futures Markets was in 1982, entitled "*Managing foreign interest rate risk*" (Kolb et al., 1982), which dealt with a strategy in how to deal with foreign exchange rate risk for foreign investors in US interest rate futures markets. In the article published in this special issue, Professor Gay and co-authors look at the global market for exchange-traded derivatives. Specifically, they look at trade activity and contract innovation in exchange-traded options and futures. They note that trading volume in exchange-traded derivatives has grown considerably over the last 20 years, where product innovation mostly appeared in North America.

The third article of this special issue is by Professor Yiuman Tse. Professor Tse's first publication in the Journal of Futures Markets was in 1995, entitled "*Long memory in interest rate futures markets: A fractional cointegration analysis*" (Booth & Tse, 1995). That paper provided new insights into the long-run relationship between US Treasury Bill and Eurodollar futures by making use of a fractional cointegration approach. The article for this special issue focuses on the impact of oil price uncertainty on US stock returns. The paper documents a negative relationship between oil price uncertainty and stock returns for the period since 2002, but not prior to this period, which suggests that the financialization of commodities may be a contributor to this negative relationship in the more recent time period.

The fourth paper is by Professor John Angus. Professor Angus published his first paper in the Journal of Futures Markets in 1999, the title of the paper was "*A note on pricing Asian derivatives with continuous geometric averaging*" (Angus, 1999). Professor Angus presented a pricing model for European-style Asian Contingent claims with certain properties in that paper. The contribution of Prof. Angus and co-authors to this special issue introduces a new regularization technique that increases prediction accuracy in linear regression models. An application of this technique demonstrates how a limited set of stock can track the S&P500 index and offers improved tracking errors.

The fifth paper of this special issue is by Professor Alex Frino. Professor Frino published his first paper in the Journal of Futures Markets in 2000 entitled "*The lead-lag relationship between equities and stock index futures markets around information releases*" (Frino et al., 2000). That paper demonstrates that the price leadership of stock index futures over stock index returns increases around macroeconomic news releases. The strengthening price leadership of index futures over index returns suggests that informed traders prefer to trade in futures contracts. The current contribution of Prof. Frino and co-authors to this special issue looks at the major technological and market forces that have acted on the liquidity of futures markets over almost the last quarter of a century. More specifically, using a stock index futures contract traded on Australian futures exchanges, they examine the impact of electronic trading replacing open outcry, the impact of high-frequency trading and co-located trading, and compare the liquidity impacts of these developments with the impact of major economic events, including the Global Financial Crisis and Covid-19 Pandemic. They observe that liquidity effects from extreme events are far more pronounced than technological innovations.

The sixth paper of this special issue is by Professor Jin Zhang. Professor Zhang's first publication in the Journal of Futures Markets was in 2003, entitled "*Pricing continuously sampled Asian options with perturbation method*" (Zhang, 2003). In that paper, Professor Zhang provided an analytical solution to the pricing of continuously sampled Asian options. In the current special issue, Prof. Zhang and his co-author study the relationship between market-wide liquidity and the options market. They document that higher market-wide liquidity reduces the price of options and causes market participants to lower their expectations of crash risk.

The seventh and final paper of this special issue is by Professor Isabel Figuerola-Ferretti. Professor Figuerola-Ferretti had her first publication in the Journal of Futures Markets in 2005, with a paper entitled "*Price discovery in the aluminum market*" (Figuerola-Ferretti & Gilbert, 2005). In that paper, Prof. Figuerola-Ferretti focuses on price leadership of various aluminum contracts and documents a shift in price leadership towards the prices set on the London Metals Exchange. In the current paper, Prof. Figuerola-Ferretti and co-authors focus on mispricing in global energy markets. Specifically, they

implement a pairs-trading strategy for various energy stocks within the US, European, and Asian markets and document positive risk-adjusted returns to such a strategy.

We hope you will enjoy reading this special issue in honor of Professor Robert I. Webb.

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