The logic of this exercise is to determine the extent to which the pricing performance of these factors in each period is concentrated in a subset of commodities. The CHP and the market factors built from CHP factor picks exhibit the most dramatic increase in pricing performance on the corresponding factor picks in the second period. In contrast, the increase in pricing performance on all the US traded commodities is roughly uniform across all sets of factor models and lower in magnitude. This strongly suggests that the hedging pressure co-movement and price co-movement link was concentrated in the metals sub-sector.

The UK traded base metals provide a useful set of assets to test how widespread were the changes in pricing dynamics brought about by the onset of financialization. To that end, we examine the performance of the four factors on the six UK metals, when constructed from each set of factor picks. The performance of the market factor built with the CHP and term structure factor picks improves dramatically in the second period relative to the first while the performance of all factors built with the other sets of picks does not increase quite as much. The pricing performance of the market factor built with CHP factor picks as well as that of the CHP factor built with both CHP and term structure factor picks show a dramatic increase over the financialization period. The performance of the market factor built with the CHP factor picks suggests that there was co-movement in global metals returns in the second period and that this co-movement could be detected by our hedging pressure based model. The greater sensitivity of the average CHP factor to the onset of financialization suggests that the Keynesian measure of backwardation is better suited to understanding the effects of financialization. This may be because financial investors entered through the commodity futures market and the relative change in hedger’s positions is able to capture some of their impact on pricing dynamics.

Our analysis suggests that financialization appears to have had the deepest impact on global metals markets and our commodity asset pricing based approach allows us to better understand the channels through which it was transmitted. The initial view of financialization was that it consisted of speculative flows which had the effect of driving up and creating bubble like conditions in commodity future prices^[@de\_schutter\_food\_2010\_1; @gilbert\_how\_2010; @gilbert\_speculative\_2010; @masters\_testimony\_2008; @masters\_accidental\_2008; @herman\_not\_2011\_1; @schumann\_hunger-makers\_2011; @singleton\_investor\_2013; @unctad\_global\_2009.]. However, the fundamental question of the nature of the impact of financialization across the entire cross-section of commodity futures markets has not yet been completely answered. We provide an empirical complement to a new stream of theoretical studies that try to model the impact of financialization on various aspects of commodity futures markets^[@etula\_broker-dealer\_2013, @acharya\_limits\_2013, @cheng\_convective\_2014, @leclercq\_equilibrium\_2014, @sockin\_informational\_2015, @goldstein\_speculation\_2013, @EkelandSpeculationcommodityfutures2016, @goldstein\_commodity\_2017.] and demonstrate that the effects of financialization extend beyond the mechanical effects induced by indexation as outlined in @basak\_model\_2016 as well as @tang\_index\_2012. The arrival of index investors appear to have altedred the dynamics of commodity futures markets and our asset pricing based approach seems able to isolate some of these changes.

The onset of the financial crisis and the monetary policy regimes that followed appear to have also induced significant changes in pricing dynamics. Returns on both US and UK traded commodities fell dramatically over both the third and fourth periods with the pattern of return for the US traded commodities across \textbf{CHP} regimes reverting to Keynesian paradigm. The pricing results indicate the presence of a systematic factor across the entire cross-section of the US commodities as the performance of the market factor built with every set of picks on the entire set of US traded commodities shows a dramatic rise across the board in pricing performance. There is also strong evidence of cross-market linkages as the market factor built with its own picks (US traded commodities) shows a six fold increase in average R^2^ on the UK metals compared with the financialization period.

Financialization was an issue of such policy importance that it triggered legislative action. The debate was initially framed around adequacy of speculation, the burning issue of the day, and the consequent analysis focused on the more mechanical effects of financialization. With the benefit of hindsight, it appears this approach was perhaps too narrow and it now seems necessary to address financialization from a broader perspective. Commodity price dynamics appear to have altered substantially in quite different ways over the financialization and the financial crisis periods and our commodity futures based asset pricing approach seems able to provide new insights into the nature of these changes: financialization was a phenomenon endogenous to the commodity markets transmitted via the commodity futures markets and mainly concentrated in a specific sector (metals) while the crisis and its aftermath seems to have delivered an exogenous shock across the entire cross-section of global commodities.