GDT EVENTS

This document explains the difference between the GDT Price Index, and the simpler percentage change of weighted average prices.

- **Average Price (US/MT, FAS)**
  This is the average winning price across the relevant products, weighted by the quantity of each specification sold.

- **GDT Price Index**
  This is the average of the percentage change in prices for each specification, weighted by the quantity of each specification sold. GDT provides a Change in GDT Price Index from previous event for all products, plus an equivalent for each product group and each product group/contract period combination. The price index gives a more accurate reflection of the price movements between Trading Events. A more detailed explanation of this calculation is available here.

If you compare the average prices between two adjacent Trading Events and calculate the percentage change, this can differ from the Change in GDT Price Index for the same period. The difference reflects the different methods of calculation. Most market commentators and analysts prefer the Price Index as a calculation to describe the overall movement of prices between Trading Events, as it avoids the bias that can arise as a result of changes in sold quantity.

To see how the average price can be misleading, consider the following example in the table below. In this example, the prices of the two products are unchanged between the two Trading Events but the proportion of product sold has shifted in favour of the more expensive product, causing the average price to increase by 5%. This is despite the fact that neither product price increased! The GDT Price Indices are essentially a weighted-average of the percentage changes of product prices, so in this example would report a 0% change.

	Trading Event 1		Trading Event 2		
	Quantity Sold	**Price**	**Quantity Sold**	**Price**	**Price Changes**
Product 1	1000 MT	$3,000	750 MT	$3,000	0.0%
Product 2	1000 MT	$4,500	1250 MT	$4,500	0.0%
Average price		$3,750		$3,938	5%