

Commodity

“The unexpected futures”



What is commodity

A commodity is a product having commercial value that can be produced, bought, sold, and consumed

List of commodity exchanges

- Africa
- America
- Asia
- Europe
- Oceania

To list a few leading exchanges

- Chicago board of trade
- Chicago Mercantile Exchange (CME Group)
- Shanghai Gold Exchange
- Singapore Commodity Exchange SICOM
- Singapore Mercantile Exchange
- Tokyo commodity exchange
- London Metal Exchange
- Australian securities exchange

List of traded commodities

Commodity Market

- Soft commodities

Food & animal products

- Barley, Cocoa, Coffee, Corn, Cotton, Cottonseed oil, Flaxseed, Frozen orange juice, Lumber Oat, Olive oil Palm oil Peanut oil Potatoes Rapeseed Rice Rye Rubber Soybean Soybean oil Sugar Tea Wheat
- Animal Products

Commodity Market

- Hard commodities

Energy, Industrial Metal, Precious Metal

Coal ,Compressed hydrogen ,Crude oil Ethanol Heating oil
Natural gas Propane

- Industrial metals

Aluminum Aluminum alloy, Cobalt Copper Lead Molybdenum
Nickel Steel Tin Zinc

- Precious metals

Gold

Palladium

Platinum

What are commodity futures

- Futures Contract is a type of forward contract. Futures are exchange traded contracts to sell or buy standardized financial instruments or physical commodities for delivery on a specified future date at an agreed price
- Commodity Futures are contracts of commodities that are traded at a futures exchange

Regulator



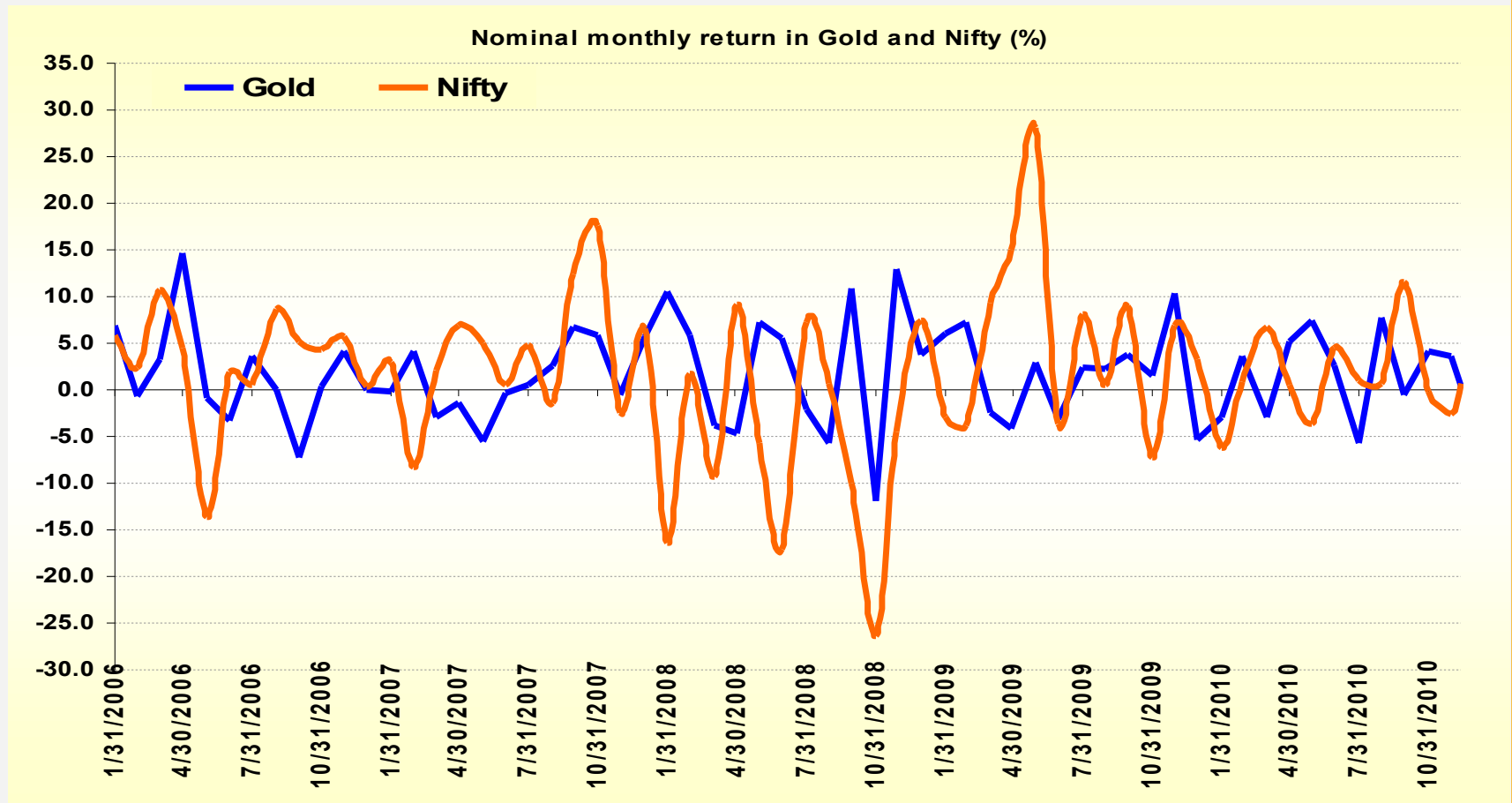
Commodity Markets in India

In India there are currently five national level exchanges that offer trading in commodity futures

- NCDEX (National Commodity and Derivative Exchange)
- MCX (Multi Commodity Exchange)
- NMCE (National Multi Commodity Exchange)
- ICEX (Indiabulls Commodity Exchange)

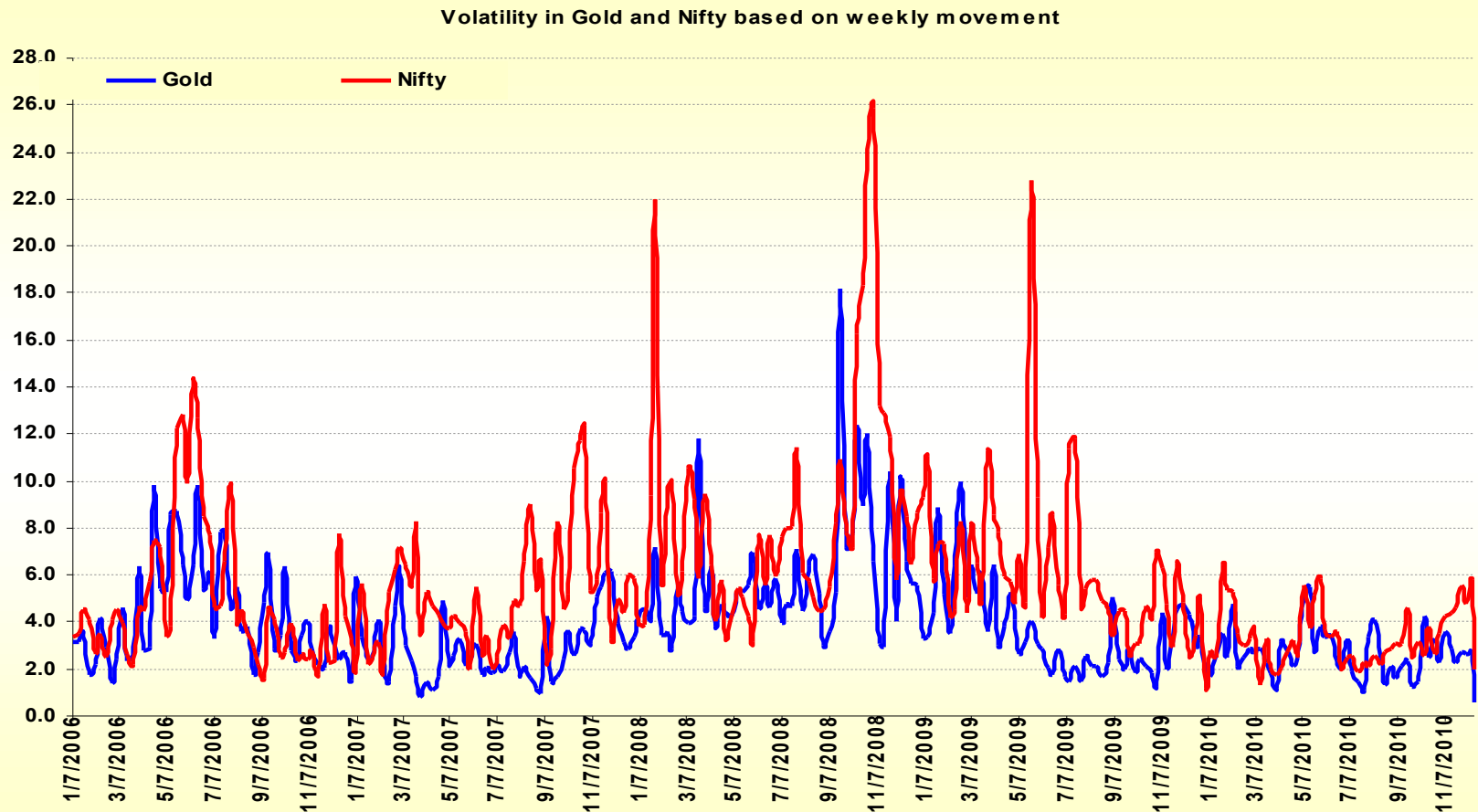
Reasons to trade in commodities

- Diversification

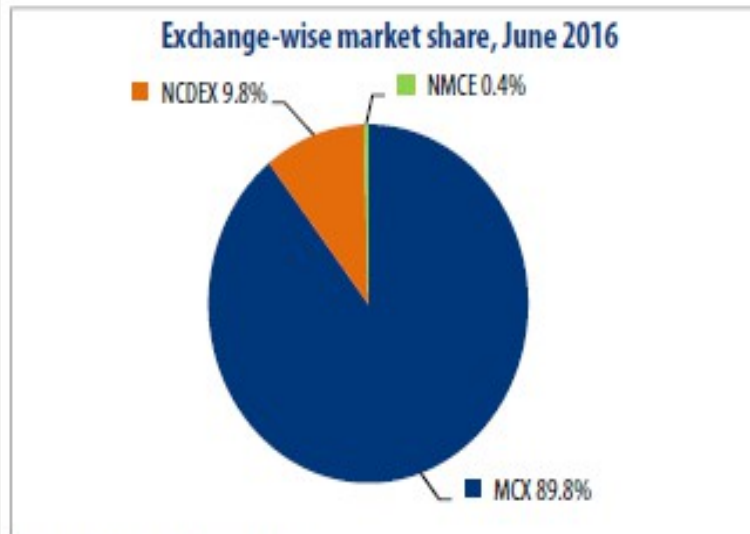


Reasons to trade in commodities

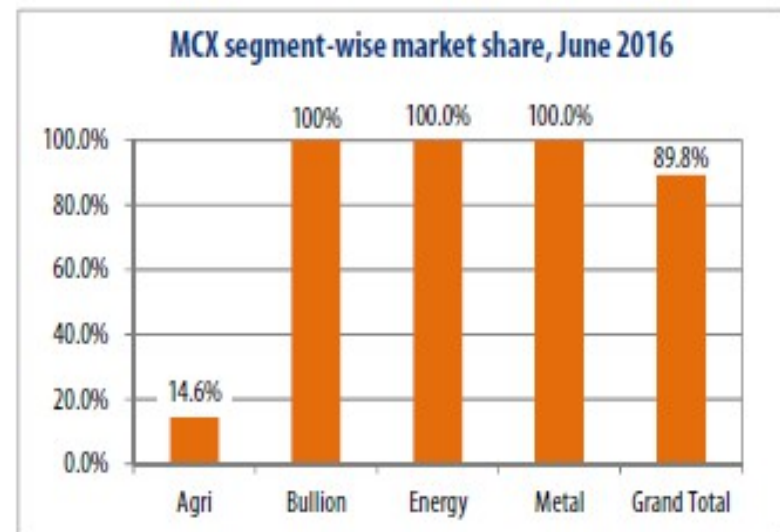
Volatility



The Market Share



Source: Respective Exchanges' website



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Turnover

MCX Top Commodities Average Daily Turnover, Volume and Open Interest – Monthwise comparison								
Commodity	Average Daily Turnover (₹ crore)			Units for Volume and Open Interest	June, 2016		May, 2016	
	June, 2016 (22 Trading Days)	May, 2016 (22 Trading Days)	June, 2015 (21 Trading Days)		Average Daily Volume	Average Daily Open Interest	Average Daily Volume	Average Daily Open Interest
GOLD	7,015	6,095	3,638	Tonnes	23.1	12.1	20.5	12.4
CRUDE OIL	6,676	7,162	6,080	Thousand Barrels	20,299	2,345	22,937	2,931
SILVER	3,826	3,476	3,444	Tonnes	925	549	855	430
ZINC	2,623	1,724	1,371	Tonnes	1,92,350	63,998	1,37,226	35,098
COPPER	2,117	1,565	1,517	Tonnes	67,763	35,827	49,581	30,337
NATURAL GAS	1,412	963	1,165	Thousand MMBTU	79,679	15,799	67,856	11,709
LEAD	1,119	1,047	1,077	Tonnes	96,488	24,250	91,067	24,484
NICKEL	645	601	1,131	Tonnes	10,658	6,569	10,198	7,757
ALUMINIUM	628	549	648	Tonnes	58,557	24,509	52,123	26,380
COTTON	245	160	94	Bales	1,27,268	3,21,868	90,505	2,87,207
CRUDE PALM OIL	194	263	142	Tonnes	37,592	77,817	48,905	90,964
MENTHA OIL	69	73	375	Tonnes	812	1,923	834	1,699
CARDAMOM	7	8	12	Tonnes	83	193	100	185
TOTAL	26,575	23,686	20,694					

Aggregate MCX June, 2016 turnover was ₹5,84,659 crores against May, 2016 turnover of ₹5,21,082 crores

Average daily turnover in June, 2016 was ₹26,575 crores against May, 2016 average daily turnover of ₹23,686 crores

Delivery

Delivery at MCX in June 2016

Commodities	Location	Quantity	Value (₹ crore)
GOLD MINI	Ahmedabad	86.00 kg	24.63
GOLD GUINEA	Ahmedabad	1.93 kg	0.59
GOLD	Ahmedabad	179.00 kg	51.21
GOLD PETAL	Mumbai	0.48 kg	0.15
CARDAMOM	Vandanmedu (Kerala)	10.10 MT	0.83
MENTHA OIL	Barabanki (UP)	2,28,960.00 kg	20.80
COTTON	Rajkot (Gujarat)	2,700.00 bales	5.42

Source: MCX

Exchange deliverable warehouse stock position as on June 30, 2016

Commodity	Delivery Centres	Quantity	Unit
CARDAMOM	Vandanmedu (Kerala)	21.70	MT
COTTON	Rajkot, Kadi (Gujarat); Jalna, Yavatmal, and Jalgaon (Maharashtra)	38,400.00	bales
MENTHA OIL	Barabanki & Chandausi (UP)	1,411.40	MT
GOLD	Ahmedabad	94.00	kg
GOLD GUINEA	Ahmedabad & Mumbai	13.74	kg
GOLD MINI	Ahmedabad & Mumbai	507.20	kg
SILVER (30 KG)	Ahmedabad	1,05,382.09	kg
SILVER (1 KG)	Delhi	278.00	kg

Source: MCX

List of Products Traded

Sr. No.	List of Commodities Available for Trading on MCX	List of Commodity Contracts Available for Trading on MCX
1	ALUMINIUM	ALUMINIUM MINI
		ALUMINIUM
2	CARDAMOM	CARDAMOM
3	COPPER	COPPER
		COPPER MINI
4	COTTON	COTTON
		BRENT CRUDE OIL
5	CRUDE OIL	CRUDE OIL
		CRUDE OIL MINI
6	CRUDE PALM OIL	CRUDE PALM OIL
		GOLD
		GOLD GLOBAL
7	GOLD	GOLD GUINEA
		GOLD MINI
		GOLD PETAL
		GOLD PETAL DELHI
8	KAPAS	KAPAS
9	LEAD	LEAD
		LEAD MINI
10	MENTHA OIL	MENTHA OIL
11	NATURAL GAS	NATURAL GAS
12	NICKEL	NICKEL
		NICKEL MINI
		SILVER
13	SILVER	SILVER 1000
		SILVER MINI
		SILVER MICRO
14	ZINC	ZINC
		ZINC MINI

NCDEX Products

The buyers

The NSEL SCAm

5,574

crores

The Key Player

Jignesh Shah – Founder of Financial Technologies

Financial Technologies (India) Ltd, or FTIL, owned a 99.99% stake in NSEL

What Happened

- Contracts T+2, T+25, T+35
- Buying T+2 and selling T+25 gave 15% annual return
- Goods would lie at the same warehouse and would be sold from there.
- This arbitrage was almost 'guaranteed'

What was the problem?

- The contracts were sold in pairs
- You always had to buy near month and sell far month
- Those on the other side were 24 members of the exchange
- They would sell at $T+2$ and buy back at $T+23$
- They invented the stock that doesn't exist and borrowed against it for 15 days.
- Most investors rolled over

How did it END?

- FMC cut the contract cycle to T+10
- Investors stopped the roll over
- Borrowers had to pay the money back
- Neither did they have money nor goods to back it up

What was Found

- There was a mall in the place where 2 lakh tons of sugar was supposed to have been stored.
- In Ludhiana, where ARK Imports was supposed to have 12,000 tons of raw wool, there was apparently nothing.
- One borrower had vacated its premises months back, while another refused to admit they owed anything.

Financial Tech ▲ 84.45 +0.15 (+0.18%)

VOLUME
2,07,807

OPEN
85.00

HIGH
85.50

LOW
84.10



