

Stock and commodity market

Chapter 4

Commodity market

Introduction

India is based on 2/3 total economy of the 1 billion population depends upon agricultural commodities. India is one of the top producer of largest commodity and also have a long history of trading in commodities. The commodities and derivative market RCM ups and downs but since they have finally arrived in this market

Governing or regulatory body

Commodity future traded in commodity exchange are regulated by the government under the contract regulation act 1952 the rules and regulations are framed by FMC forward Market commission the chief regulator of forward Market in India it is regulated rupees 50 23 and worth of commodities in India headquarters located in Mumbai. Mr Ramesh Abhishek is the chairman of commodity regulator of SMC is an IAS officer at Bihar he was appointed on 24 /9/2012 as a chairman of FMC

Functions of FMC

- To advise the central government in respect of any other matter out of the administration
- To make the recommendation generally to improve the organization
- To undertake the inspection of accounts and other document of Recognized organization
- to keep the forward Market under the observation it may consider the necessary power of action

Definition of commodity

According to Karl Marx "commodity is an any goods or services produced by human labour and offered as a product for general sale on the market"

Meaning of commodities

Commodities means a raw material or agriculture product that can be bought and sold in the market

Types of commodity market

- Fibers and manufacturers
- Spices edible oil
- Seeds soil
- Energy product
- Vegetables
- Metals
- Pulses
- Others

Functions of commodity market

- Price discovery
- Risk management
- Benefits of farmers
- Useful to producers
- Useful to consumer
- Import export competition
- Predictable pricing
- Option or high risk of investors
- Commodity derivatives of extremely transparent

Objectives of commodity market

- Hedging
Hedging with the objective of transferring risk of a physical assets through moment in price
- Liquidity and price discovery to ensure the volume of trading of commodity
- Maintaining the buffer stock and better allocation of resources
- Price stabilization along with balancing demand and supply
- Flexibility sustainable development transparency in purchasing commodity

Organization structure of commodity market

NCDEX: National commodity derivative exchange

This exchange is originally promoted by ICICI bank and National stock exchange NABARD National Bank of agriculture and rural development LIC and other institutional share holders trading in the agricultural commodities headquarters located in Mumbai it is a second largest commodity derivative exchange.

NMCE: National multi commodity exchange

This exchanges originally promoted by Kailash Gupta Ahmedabad base trader it is also a central warehousing corporation NMC is popular for trading spices and plantation crops especially for Kerala and South state of India.

MCX: multi commodity exchange

it is a Mumbai base and promoted by the financial technology private limited it allows the host of commodity ranking to food grains it is the first exchange the word certified by ISO international standard organization

Regional exchange

NBOT: National board of trade

It is located in Mumbai this commodity support in trading activities for all the transactions done in India

Offer regional exchange major regional exchange commodities in India Bombay commodity exchange Kanpur commodity exchange India pepper and spices status association question Rajasthan oil and oilseeds exchange limited coffee feature exchange limited Karnataka chamber of commerce Kanpur Rajasthan hi sugar limited Mumbai East India jute exchange limited first commodity exchanges in India coaching Ahmedabad commodity exchange

Commodity derivative

Commodity derivative is a contract where underlying asset or commodity which is a precious metal diamond Gold and other metals copper Steel agro products coffee wheat sugar at energy products natural grass crude oil it is known as commodity derivatives

Players all participants in commodities

- Header: headers are the participants you have the commodity derivatives instruments elements the price risk associated with the underlying asset in commodity market he is a person keeps a close watch upon the price discovered in the trading comfortable prices in reflected according to his wants his cell the future contract example header page more for the farmers are producers if the price goes up
- Speculator: speculator the participants who between the future movements in the prices and the assets of a commodity speculators are the somewhat the middleman they are not interested in owning the market they just buy from the one and sell at the other end
- Arbitrageurs: they work in making out the profit by taking the advantage of difference in the prices in the same product across the different market
- Investor: investors are the participants having a longer term wave compared to the speculator they enter the market trade and commodities example businessman

Advantages private placement

- There is a economy in the issue placement
- The company does not have to include the cost late into the underlining commission
- Staying the private allows even the company to close his own investor
- It says your company to the time money required to the public offering
- Private placement you can take the more arrival at the agreed upon the return
- More flexibility and get you are capital much faster than touching the venture capital
- Fast and cost effective
- Choice in the investor
- Easier Is there capital formation