

CHAPTERISATION

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CHAPTER I

INTRODUCTION

1.1 COMMODITY MARKET

PERFORMANCE EVALUATION OF SELECTED COMMODITIES

Commodity Market is an organized traders' exchange in which standardized, graded products are bought and sold. Worldwide, there are 50 major commodity exchanges that trade over 100 commodities, ranging from wheat and cotton to silver and oil. Most trading is done in futures contracts, that is, agreements to deliver goods at a set time in the future for a price established at the time of the agreement.

Futures trading allow both hedging to protect against serious losses in a declining market and speculation for gain in a rising market. For example, a seller may sign a contract agreeing to deliver grain in two months at a set price. If the grain market declines at the end of two months, the seller will still get the higher price quoted in the futures contract. If the market rises, however, speculators buying grain stand to profit by paying the lower contract price for the grain and reselling it at the higher market price. Spot contracts, a less widely used form of trading, call for immediate delivery of a specified commodity and are often used to obtain the goods necessary to fulfill a futures contract. An independent U.S. regulatory agency, the Commodity Futures Trading Commission was established in 1974 to regulate commodity markets. In 1982, the Chicago Mercantile Exchange introduced a futures contract for Standard & Poor's 500 U.S. companies that allow investors to speculate on the future prices of those stocks.

Trading of S&P 500 and other financial futures has broken down some of the barriers that once separated stock, bond, and commodity markets and made it easier for investors to hedge their stock investments. Critics charge that the futures trading at the commodity markets in Chicago have made stock prices more volatile.

The Chicago Board of Trade is the largest futures and options exchange in the United States, the largest in the world is Eurex, an electronic European exchange.

1.2 Global Commodity Market

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It is the trading of the materials used to make finished products, Is far more important that what the most people give it credit for. It's what to gives millions if consumers worldwide their daily cups of creamy lattés, their breakfast cereals, the steel for their home construction, and even the fuel to run their cars.

In fact international commodity trading is a multi- billion dollar business, and on average the number of trade executed in the commodity exchanges are about five times as much as those on major stock exchanges.

And to be honest in the recent past it has been anything but dull. In the past five years commodities have provided all the thrills and spills of a high octane Vin Diesel movie.

The idea of trading in commodity future contracts is really very old- school, although it has occurred new age glitz because of electronic exchanges. Most experts trace their origins back to Japan, were rice futures were first traded in the 17th century. Future market for precious metals such as gold and silver has also been around since the 19th century. But organized trading in futures really began in the U S in the mid 19th century with maize contracts with the Chicago Board Of Trade (CBOT).

Basically commodity futures allows buyers and sellers to make bets on the expected future spot prices .They help both sides obtain insurance for the future value of their outputs.(or inputs). Cereals were the first to be traded under the future contracts and the farmers were the first to use such contracts as they protect them from any steep fall in the value of crop harvested in future.

Commodity future differed from equity derivatives in three important ways;

One they are derivative securities not claims on long living corporations.

Two they are short maturity claims on real assets and

Three unlike financial assets, they experience distinct seasonal variations in price and volatility.

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Today, there are more than 50 commodity exchanges in worldwide trading in more than 100 products. The major products come under five categories.

Precious metals (gold, silver, platinum etc)

Industrial metals (copper, nickel, aluminum, zinc etc)

Agri cultural commodities (wheat, corn, cotton, oilseeds, coffee, cocoa, sugar etc.)

Live stock (pork bellies, cattle etc.) and

Energy (crude oil, natural gas, petrol, diesel etc

Oil makes up the world's largest commodity future market.(daily turnover on the New York Mercantile Exchange(NYmex) alone totals about \$15 billion) followed by coffee, steel gold and wheat.

New contract ideas however keep popping up all the time. For instance, freight futures are also traded on the Norwegian futures and Options Clearing house and the Nymex. While the Chicago Mercantile exchange⁹ now taken over by the CBOT) offers contracts on temperatures, useful for hedging agricultural commodity or energy prices.

1.4 Commodity Future trading

EVOLUTION OF FUTURE TRADING AND ITS PRESENT STATUS

Organized futures market evolved in India by the setting up of "Bombay Cotton Trade Association Ltd." in 1875. In 1893, following widespread discontent amongst leading cotton mill owners and merchants over the functioning of the Bombay Cotton Trade Association, a separate association by the name "Bombay Cotton Exchange Ltd." was constituted. Futures trading in oilseeds were organized in India for the first time with the setting up of Gujarati Vyapari Mandali in 1900, which carried on futures trading in groundnut, castor seed and cotton. Before the Second World War broke out in 1939 several futures markets in oilseeds were functioning in Gujarat and Punjab.

Futures trading in Raw Jute and Jute Goods began in Calcutta with the establishment of the Calcutta Hessian Exchange Ltd., in 1919. Later East Indian Jute Association Ltd. was set up in 1927 for organizing futures trading in Raw Jute. These two associations amalgamated in 1945 to form the present East India Jute & Hessian Ltd., to conduct

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organized trading in both Raw Jute and Jute goods. In case of wheat, futures markets were in existence at several centers at Punjab and U.P. The most notable amongst them was the Chamber of Commerce at Hapur, which was established in 1913. Other markets were located at Amritsar, Moga, Ludhiana, Jalandhar, Fazilka, Dhuri, Barnala and Bhatinda in Punjab and Muzaffarnagar, Chandausi, Meerut, Saharanpur, Hathras, Ghaziabad, Sikenderabad and Barielly in U.P.

Futures market in Bullion began at Mumbai in 1920 and later similar markets came up at Rajkot, Jaipur, Jamnagar, Kanpur, Delhi and Calcutta. In due course several other exchanges were also created in the country to trade in such diverse commodities as pepper, turmeric, potato, sugar and Gur (jaggory).

After independence, the Constitution of India brought the subject of "Stock Exchanges and futures markets" in the Union list. As a result, the responsibility for regulation of commodity futures markets devolved on Govt. of India. A Bill on forward contracts was referred to an expert committee headed by Prof. A.D.Shroff and Select Committees of two successive Parliaments and finally in December 1952 Forward Contracts (Regulation) Act, 1952, was enacted. The Act provided for 3-tier regulatory system;

- (a) An association recognized by the Government of India on the recommendation of Forward Markets Commission,
- (b) The Forward Markets Commission (it was set up in September 1953) and
- (c) The Central Government.

Forward Contracts (Regulation) Rules were notified by the Central Government in July, 1954

The Act divides the commodities into 3 categories with reference to extent of regulation, viz:

- (a) The commodities in which futures trading can be organized under the auspices of recognized association.

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(b) The Commodities in which futures trading is prohibited.

(c) Those commodities which have neither been regulated for being traded under the recognized association nor prohibited are referred as Free Commodities and the association organized in such free commodities is required to obtain the Certificate of Registration from the Forward Markets Commission.

In the seventies, most of the registered associations became inactive, as futures as well as forward trading in the commodities for which they were registered came to be either suspended or prohibited altogether.

The Khusro Committee (June 1980) had recommended reintroduction of futures trading in most of the major commodities, including cotton, Kapas, raw jute and jute goods and suggested that steps may be taken for introducing futures trading in commodities, like potatoes, onions, etc. at appropriate time. The government, accordingly initiated futures trading in Potato during the latter half of 1980 in quite a few markets in Punjab and Uttar Pradesh.

After the introduction of economic reforms since June 1991 and the consequent gradual trade and industry liberalization in both the domestic and external sectors, the Govt. of India appointed in June 1993 one more committee on Forward Markets under Chairmanship of Prof. K.N. Kabra. The Committee submitted its report in September 1994. The majority report of the Committee recommended that futures trading be introduced in

- 1) Basmati Rice
- 2) Cotton and Kapas
- 3) Raw Jute and Jute Goods
- 4) Groundnut, rapeseed/mustard seed, cottonseed, sesame seed, sunflower seed, safflower seed, copra and soybean, and oils and oilcakes of all of them.
- 5) Rice bran oil
- 6) Castor oil and its oilcake
- 7) Linseed

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8) Silver and

9) Onions.

The committee also recommended that some of the existing commodity exchanges particularly the ones in pepper and castor seed, may be upgraded to the level of international futures markets.

The liberalized policy being followed by the Government of India and the gradual withdrawal of the procurement and distribution channel necessitated setting in place a market mechanism to perform the economic functions of price discovery and risk management.

The National Agriculture Policy announced in July 2000 and the announcements of Hon'ble Finance Minister in the Budget Speech for 2002-2003 were indicative of the Government's resolve to put in place a mechanism of futures trade/market. As a follow up the Government issued notifications on 1.4.2003 permitting futures trading in the commodities, with the issue of these notifications futures trading is not prohibited in any commodity. Options trading in commodity are, however presently prohibited.

ECONOMIC BENEFIT OF FUTURE TRADING AND ITS PROSPECTUS

Futures contracts perform two important functions of price discovery and price risk management with reference to the given commodity. It is useful to all segments of economy. It is useful to producer because he can get an idea of the price likely to prevail at a future point of time and therefore can decide between various competing commodities, the best that suits him. It enables the consumer get an idea of the price at which the commodity would be available at a future point of time. He can do proper costing and also cover his purchases by making forward contracts. The futures trading is very useful to the exporters as it provides an advance indication of the price likely to prevail and thereby help the exporter in quoting a realistic price and thereby secure export contract in a competitive market. Having entered into an export contract, it enables him to hedge his risk by operating in futures market. Other benefits of futures trading are:

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- (i) Price stabilization-in times of violent price fluctuations - this mechanism dampens the peaks and lifts up the valleys i.e. the amplitude of price variation is reduced.
- (ii) Leads to integrated price structure throughout the country.
- (iii) Facilitates lengthy and complex, production and manufacturing activities.
- (iv) Helps balance in supply and demand position throughout the year.
- (v) Encourages competition and acts as a price barometer to farmers and other trade functionaries.

Futures trading are also capable of being misused by unscrupulous speculators. In order to safeguard against uncontrolled speculation certain regulatory measures are introduced from time to time. They are:

- a. Limit on open position of an individual operator to prevent over trading;
- b. Limit on price fluctuation (daily/weekly) to prevent abrupt upswing or downswing in prices;
- c. Special margin deposits to be collected on outstanding purchases or sales to curb excessive speculative activity through financial restraints;
- d. Minimum/maximum prices to be prescribed to prevent future prices from falling below the levels that are unremunerative and from rising above the levels not warranted by genuine supply and demand factors.

During shortages, extreme steps like skipping trading in certain deliveries of the contract, closing the markets for a specified period and even closing out the contract to overcome emergency situations are taken.

PROSPECTUS

With the gradual withdrawal of the government from various sectors in the post-liberalization era, the need has been felt that various operators in the commodities market be provided with a mechanism to hedge and transfer their risks. India's obligation under WTO to open agriculture sector to world trade would require futures trade in a

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wide variety of primary commodities and their products to enable diverse market functionaries to cope with the price volatility prevailing in the world markets.

CHARACTERISTICS OF FUTURE TRADING

A "Futures Contract" is a highly standardized contract with certain distinct features.

Some of the important features are as under:

- a. Futures trading are necessarily organized under the auspices of a market association so that such trading is confined to or conducted through members of the association in accordance with the procedure laid down in the Rules & By-laws of the association.
- b. It is invariably entered into for a standard variety known as the "basis variety" with permission to deliver other identified varieties known as "tender able varieties".
- c. The units of price quotation and trading are fixed in these contracts, parties to the contracts not being capable of altering these units.
- d. The delivery periods are specified.
- e. The seller in a futures market has the choice to decide whether to deliver goods against outstanding sale contracts. In case he decides to deliver goods, he can do so not only at the location of the Association through which trading is organized but also at a number of other pre-specified delivery centers.
- f. In futures market actual delivery of goods takes place only in a very few cases. Transactions are mostly squared up before the due date of the contract and contracts are settled by payment of differences without any physical delivery of goods taking place.

RECENT TRENDS IN COMMODITY TRADING

Nature's Commodity Outputs

Commodity thinking is undergoing a more direct revival thanks to the theorists of "natural capital whose products, some economists argue, are the only genuine

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commodities - air, water, and calories we consume being mostly interchangeable when they are free of pollution or disease. Whether we wish to think of these things as tradable commodities rather than birthrights has been a major source of controversy in many nations. Most types of environmental economics consider the shift to measuring them inevitable arguing that reframing political economy to consider the flow of these basic commodities first and foremost, helps avoid use of any military fiat except to protect "natural capital" itself, and basing credit-worthiness more strictly on commitment to preserving biodiversity aligns the long-term interests of ecoregions societies, and individuals. They seek relatively conservative sustainable development schemes that would be amenable to measuring well-being over long periods of time, typically "seven generations", in line with Native American thought.

Weather trading

However, this is not the only way in which commodity thinking interacts with ecologists' thinking. Hedging began as a way to escape the consequences of damage done by natural conditions. It has matured not only into a system of interlocking guarantees, but also into a system of indirectly trading on the actual damage done by weather, using weather derivatives. For a price, this relieves the purchaser of concerns such as whether a freeze will hurt the Brazilian coffee crop, whether there will be a drought in the U.S. cornbelt and what the chances that we will have a cold winter are, driving natural gas prices higher and creating havoc in Florida orange areas.

Emissions Trading

Weather trading is just one example of "negative commodities", units of which represent harm rather than good.

"Economy is three fifths of ecology" argue Mike Nickerson one of many economic theorists who holds that nature's productive services and waste disposal services are poorly accounted for. One way to fairly allocate the waste disposal capacity of nature is "cap and trade" market structure that is used to trade toxic emissions rights in the United

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States, e.g. SO₂. This is in effect a "negative commodity", a right to throw something away.

In this market, the atmosphere's capacity to absorb certain amounts of pollutants is measured, divided into units, and traded amongst various market players. Those who emit more SO₂ must pay those who emit less. Critics of such schemes argue that unauthorized or unregulated emissions still happen, and that "grandfathering" schemes often permit major polluters, such as the state governments' own agencies, or poorer countries, to expand emissions and take jobs, while the SO₂ output still floats over the border and causes death.

In practice, political pressure has overcome most such concerns and it is questionable whether this is a capacity that depends on U.S. clout: The Kyoto Protocol established a similar market in global greenhouse gas emissions without U.S. support.

Community as a Commodity

This highlights one of the major issues with global commodity markets of either the positive or negative kind. A community must somehow believe that the commodity instrument is real, enforceable, and well worth paying for.

A very substantial part of the anti-globalization movement opposes the Commodification of currency, national sovereignty, and traditional cultures. The capacity to repay debt, as in the current global credit money regime anchored by the Bank for international settlements, does not in their view correspond to measurable benefits to human well being worldwide. They seek a fairer way for societies to compete in the global markets that will not require conversion of natural capital to natural resources nor human capital to move to developed nations in order to find work.

Some economic systems green economists would replace the "gold standard" with a "biodiversity standard". It remains to be seen if such plans have any merit other than as political ways to draw attention to the way capitalism itself interacts with life..

Human life as a commodity

The green economists and the more conservative environmental economics argue that not only natural ecologies, but also the life of the individual human being is treated as a commodity by the global markets. A good example is the IPCC calculations cited by the Global Commons Institute as placing a value on a human life in the developed world "15x higher" than in the developing world, based solely on the ability to pay to prevent climate changes.

1.3 Overview of commodities exchanges in India

Forward Markets Commission (FMC) headquartered at Mumbai, is a regulatory authority which is overseen by the Ministry of Consumer Affairs, Food and Public Distribution, Govt. of India. It is a statutory body set up in 1953 under the Forward Contracts (Regulation) Act, 1952.

" The Act provides that the Commission shall consist of not less than two but not exceeding four members appointed by the Central Government out of them being nominated by the Central Government to be the Chairman thereof. Currently Commission comprises three members among whom Shri B.C. Khatua, IAS, is the Chairman and Shri D.S.Kolamkar IES, and Shri Rajeev kumar Agarwal, IRS, are the Members of the Commission."

The functions of the Forward Markets Commission are as follows:

- (a) To advise the Central Government in respect of the recognition or the withdrawal of recognition from any association or in respect of any other matter arising out of the administration of the Forward Contracts (Regulation) Act 1952.
- (b) To keep forward markets under observation and to take such action in relation to them, as it may consider necessary, in exercise of the powers assigned to it by or under the Act.
- (c) To collect and whenever the Commission thinks it necessary, to publish information regarding the trading conditions in respect of goods to which any of the provisions of the act is made applicable, including information regarding supply, demand and prices, and

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to submit to the Central Government, periodical reports on the working of forward markets relating to such goods;

(d) To make recommendations generally with a view to improving the organization and working of forward markets;

(e) To undertake the inspection of the accounts and other documents of any recognized association or registered association or any member of such association whenever it considers .

Commodity Exchanges in India

◆	Multi Commodity Exchange of India Ltd., Mumbai
◆	National Commodity & Derivatives Exchange Ltd., Mumbai
◆	National Multi Commodity Exchange of India Limited., Ahmedabad
◆	Ahmedabad Commodity Exchange Ltd., Ahmedabad
◆	Bikaner Commodity Exchange Ltd., Bikaner
◆	Bhatinda Om & Oil Exchange Ltd., Bhatinda
◆	Bombay Commodity Exchange Ltd., Vashi
◆	Bullion Association Limited., Jaipur
◆	Chamber Of Commerce, Hapur
◆	Central India Commercial Exchange Ltd., Gwalior
◆	Cotton Association of India, Mumbai
◆	East India Jute & Hessian Exchange Ltd., Kolkata
◆	First Commodity Exchange of India Ltd., Kochi
◆	Haryana Commodities Ltd., Sirsa
◆	India Pepper & Spice Trade Association., Kochi
◆	Meerut Agro Commodities Exchange Co. Ltd., Meerut
◆	National Board of Trade, Indore
◆	Rajkot Commodity Exchange Ltd., Rajkot
◆	Rajdhani Oils and Oilseeds Exchange Ltd., Delhi
◆	Surendranagar Cotton oil & Oilseeds Association Ltd., Surendranagar

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◆	Spices and Oilseeds Exchange Ltd. Sangli
◆	Vijay Beopar Chamber Ltd., Muzaffarnagar

Out of these exchanges the MCX, NCDEX and NMCE are larger exchanges and MCX is the biggest among them.

National Commodity & Derivatives Exchange Limited (NCDEX) is a professionally managed online multi commodity exchange promoted by ICICI Bank Limited (ICICI Bank), Life Insurance Corporation of India (LIC), National Bank for Agriculture and Rural Development (NABARD) and National Stock Exchange of India Limited (NSE). Punjab National Bank (PNB), CRISIL Limited (formerly the Credit Rating Information Services of India Limited), Indian Farmers Fertilizer Cooperative Limited (IFFCO) and Canara Bank by subscribing to the equity shares have joined the initial promoters as shareholders of the Exchange. NCDEX is the only commodity exchange in the country promoted by national level institutions. This unique parentage enables it to offer a bouquet of benefits, which are currently in short supply in the commodity markets. The institutional promoters of NCDEX are prominent players in their respective fields and bring with them institutional building experience, trust, nationwide reach, technology and risk management skills.

NCDEX is a public limited company incorporated on April 23, 2003 under the Companies Act, 1956. It obtained its Certificate for Commencement of Business on May 9, 2003. It has commenced its operations on December 15, 2003.

NCDEX is a nation-level, technology driven de-mutualized on-line commodity exchange with an independent Board of Directors and professionals not having any vested interest in commodity markets. It is committed to provide a world-class commodity exchange platform for market participants to trade in a wide spectrum of commodity derivatives driven by best global practices, professionalism and transparency.

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NCDEX is regulated by Forward Market Commission in respect of futures trading in commodities. Besides, NCDEX is subjected to various laws of the land like the Companies Act, Stamp Act, Contracts Act, Forward Commission (Regulation) Act and various other legislations, which impinge on its working.

NCDEX is located in Mumbai and offers facilities to its members in more than 550 centers throughout India. The reach will gradually be expanded to more centers.

NCDEX currently facilitates trading in 45 commodities - Cashew, Castor Seed, Chana, Chilly, Coffee - Arabica, Coffee - Robusta, Common Parboiled Rice, Common Raw Rice, Cotton Seed Oilcake, Crude Palm Oil, Expeller Mustard Oil, Groundnut (with shell), Groundnut Expeller Oil, Grade A Parboiled Rice, Grade A Raw Rice, Guar gum, Guar Seeds, Gur, Jeera, Jute sacking bags, Indian 28 mm Cotton , Indian 31 mm Cotton, Lemon Tur, Maharashtra Lal Tur, Masoor Grain Bold, Medium Staple Cotton, Mentha Oil , Mulberry Green Cocoons , Mulberry Raw Silk , Rapeseed - Mustard Seed, Pepper, Raw Jute, RBD Palmolein, Refined Soy Oil , Rubber, Sesame Seeds, Soy Bean, Sponge Iron, Sugar, Turmeric, Urad (Black Matpe), V-797 Kapas, Wheat, Yellow Peas, Yellow Red Maize, Yellow Soybean Meal, Electrolytic Copper Cathode, Mild Steel Ingots, Sponge Iron, Gold, Silver, Brent Crude Oil, Furnace Oil. At subsequent phases trading in more commodities would be facilitated.

MCX an independent and de-mutualized Multi Commodity Exchange has permanent recognition from Government of India for facilitating online trading, clearing and settlement operations for commodity futures markets across the country. Key shareholders of MCX include Financial Technologies (I) Ltd., State Bank of India (India's largest commercial bank) & associates, Fidelity International, National Stock Exchange of India Ltd. (NSE), National Bank for Agriculture and Rural Development (NABARD), HDFC Bank, SBI Life Insurance Co. Ltd., Union Bank of India, Canara Bank, Bank of India, Bank of Baroda and Corporation Bank.

Headquartered in Mumbai, MCX is led by an expert management team with deep domain knowledge of the commodity futures markets. Joseph Massey is the MD and

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CEO of MCX. Through the integration of dedicated resources, robust technology and scalable infrastructure, since inception MCX has recorded many first to its credit.

Inaugurated in November 2003 by Mr. Mukesh Ambani, Chairman & Managing Director, Reliance Industries Ltd, MCX offers futures trading in the following commodity categories: Agri Commodities, Bullion, Metals- Ferrous & Non-ferrous, Pulses, Oils & Oilseeds, Energy, Plantations, Spices and other soft commodities.

MCX has built strategic alliances with some of the largest players in commodities eco-system, namely, Bombay Bullion Association, Bombay Metal Exchange, Solvent Extractors' Association of India, Pulses Importers Association, Shetkari Sanghatana, United Planters Association of India and India Pepper and Spice Trade Association.

Today MCX is offering spectacular growth opportunities and advantages to a large cross section of the participants including Producers / Processors, Traders, Corporate, Regional Trading Centers, Importers, Exporters, Cooperatives, Industry Associations, amongst others MCX being nation-wide commodity exchange, offering multiple

commodities for trading with wide reach and penetration and robust infrastructure, is well placed to tap this vast potential. Its revenue is 104.39 Crores (2005-06)

- MCX is India's No. 1 commodity exchange with 84% Market share in 2008(\$0.84 trillion)
- The exchange's competitor is National Commodity & Derivatives Exchange Ltd
- Globally, MCX ranks no. 1 in silver, no. 2 in natural gas, no. 3 in crude oil and gold in futures trading
- The crude volume touched 23.49 Million barrels on January 3, 2009
- The highest traded item is gold with an average monthly turnover of Rs 1.42 Trillion (\$29 Billion).
- MCX has 10 strategic alliances with leading commodity exchange across the globe
- The average daily turnover of MCX is about US\$ 2.4 billion

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- MCX now reaches out to about 500 cities in India with the help of about 10,000 trading terminals
- MCX COMDEX is India's first and only composite commodity futures price index

CHAPTER II

COMPANY PROFILE

GEOJIT COMtrade

2.1 Evolution of the company

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it all started in the year 1987 when Mr. C.J. George and Mr. Ranajit Kanjilal founded Geojit as a partnership firm. In 1993, Mr. Ranajit Kanjilal retired from the firm and Geojit became the proprietary concern of Mr. C. J. George. In 1994, it became a Public Limited Company named Geojit Securities Ltd. The Kerala State Industrial Development Corporation Ltd. (KSIDC), in 1995, became a co-promoter of Geojit by acquiring a 24 percent stake in the company, the only instance in India of a government entity participating in the equity of a stock broking company. The year 1995 also saw Geojit being listed on the leading regional stock exchanges. Geojit listed at The Stock Exchange, Mumbai (BSE) in the year 2000. Company's wholly owned subsidiary, Geojit Commodities Limited, launched Online Futures Trading in Agri-commodities, precious metals and energy futures on multiple commodity exchanges in 2003. This was also the year when the company was renamed as Geojit Financial Services Ltd. (GFSL). The Board consists of professional directors; including a Kerala Government nominee. With effect from July 2005, the company is also listed at The National Stock Exchange (NSE). Company is a charter member of the Financial Planning Standards Board of India and is one of the largest Depository Participant (DP) brokers in the country.

On 31st December 2007, the company closed its commodities business and surrendered its membership in the various commodity exchanges held by Geojit Commodities Ltd. Global banking major BNP Paribas took a stake in the year 2007 to become the single largest shareholder. Consequently, Geojit Financial Services Limited has been renamed as Geojit BNP Paribas Financial Services Ltd

2.2 Overseas Joint Ventures

Barjeel Geojit Securities, LLC, Dubai, is a joint venture of Geojit with Al Saud Group belonging to Sultan bin Saud Al Qassemi having diversified interests in the area of equity markets, real estates and trading. Barjeel Geojit is a financial intermediary and the first licensed brokerage company in UAE. It has facilities for off-line and on-line trading in Indian capital market and also in US, European and Far-Eastern capital markets. It also

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provides Depository services and deals in Indian and International Funds. An associate company, Global Financial Investments S.A.O.G provides similar services in Oman.

Aloula Geojit Brokerage Company is Geojit's recently promoted joint venture in Saudi Arabia with the Al Johar Group. Saudi is home to the world's single largest NRI population. The new venture is expected to start operations in the latter half of 2008. The Saudi national and the NRI would be able to invest in the Saudi capital market. The NRI would also be able to invest in the Indian stock market and in Indian mutual funds. This joint venture makes Geojit the first Indian stock broking company to commence domestic retail brokerage operations in any foreign country.

2.3 Overseas Business Association

Bank of Bahrain and Kuwait (BBK), one of the largest retail banks in Bahrain & Kuwait through its NRI-Business, and Geojit entered into an exclusive agreement in September 2007. This association will provide the bank's sophisticated client base, the opportunity to diversify their holdings through investments in the Indian stock market. Services offered are- Investment Advisory, Portfolio Management, Mutual Funds, Trading in Indian Equity Market, DEMAT and Bank account, Offline Share Transactions and PAN Card.

2.4 Management.

Name	Designation
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Mr. C. J. George	Managing Director
Mr. Satish Menon	Director (Operations)
Mr. A. Balakrishnan	Chief Technology Officer
Mr. K. Venkitesh	National Head - Distribution
Mr. Stefan Groening	Director (Planning and Control)
Mr. Jean-Christophe G	Director (Marketing)
Mr. Binoy .V.Samuel	Chief Financial Officer

1.5 Board of Directors

Name	Designation
Mr. A. P. Kurian	Non - Executive & Independent Chairman
Mr. C. J. George	Managing Director & Chief Promoter
Mr. Manoj Joshi	Non - Executive & Independent Director
Mr. Mahesh Vyas	Non - Executive & Independent Director
Mr. Rakesh Jhunjunwala	Non - Executive Director
Mr. Ramanathan Bupathy	Non - Executive & Independent Director
Mr. Punnoose George	Non - Executive Director
Mr. Olivier Le Grand	Non - Executive Director
Mr. Pierre Rousseau	Non - Executive Director

Geojit *COM*trade offers trading services in Commodities Futures. It is managed by a group of professionals having considerable years of experience and expertise in

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Commodities, ever since the reintroduction of Commodities Futures in India in 2003.

Geojit *COMtrade* offers its clients state-of-art trading tools such as:

- Technical and fundamental analysis at its website and also through the company's large branch network
- Research Reports
- SMS alerts on market movements
- Online trading
- Facility to Content rich website
- View online ledger, holdings, positions, etc.

Geojit *COMtrade* also conducts seminars, distributes free in-house literature and holds interactive sessions that help raise awareness on the futures market. The number of participants is continuously on the rise thus leading to increased volumes and market efficiency.

Geojit *COMtrade* is a member of the following Exchanges:

- National Multi Commodity Exchange of India Limited (NMCE)
- National Commodity & Derivatives Exchange Limited (NCDEX)
- Multi Commodity Exchange of India Limited (MCX)

Geojit *COMtrade* offers futures trading through multiple exchanges in varied commodities such as:

- Agricultural Commodities: :
 - Plantation Crops like Rubber, Coffee, Areca nut, etc.
 - Spices like Pepper, Cardamom, Turmeric, Jeera, Chilly, etc.
 - Pulses like Chana
 - Oil & Oil Seeds like Refined Soya oil, Soybean, Cotton seed, Mustard Seed, Mustard oil, etc.
 - Cereals like Maize

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- Other commodities like Guar gum, Guar seed, Menthol, Potato, Sugar, etc.
- Precious metals
 - Gold, Silver, and Platinum
- Metals Copper, Lead, Aluminum, Steel, Tin, Nickel, Zinc, etc.

CHAPTER III

OBJECTIVES AND METHODOLOGY

3.1 METHODOLOGY

PERFORMANCE EVALUATION OF SELECTED COMMODITIES

Secondary data is the main source used for collecting data. Books, journal, reports and internet are the main secondary sources. Graphical methods are used for presenting and clarifying data.

3.2 OBJECTIVES OF THE STUDY

- To examine the relative trends and changes in the commodity market
- To find out the most traded commodities in the Indian market
- To evaluate the performance of 10 selected commodities on the basis of their traded quantity, traded contracts and traded volume

3.3 SCOPE OF THE STUDY

Global physical and derivative trading of commodities on exchanges increased more than a third in 2007 to reach 1,684 million contracts. Agricultural contracts trading grew by 32% in 2007, energy 29% and industrial metals by 30%. Precious metals trading grew by 3%, with higher volume in New York being partially offset by declining volume in Tokyo. Over 40% of commodities trading on exchanges was conducted on US exchanges and a quarter in China. Trading on exchanges in China and India has gained in importance in recent years due to their emergence as significant commodities consumers and producers.

India is the largest consumer of gold and producer of so many commodities, but this high status is not shown in commodity trading volumes. So through this study I am trying analyze some selected commodities' performance for a period of one month.'

3.4 SOURCES OF DATA

The main sources of the data are secondary. It has been collected from various websites like

- www.mcxindia.com
- www.geojit.com
- www.fmc.com
- www.geojitcomtrade.com

PERFORMANCE EVALUATION OF SELECTED COMMODITIES

- www.bloomberg.com
- www.ncdex.com

3.5 LIMITATIONS

- The given performances of the commodities are based on MCX only.
- It is based on only future trading, Spot trading has not taken.

LITERATURE REVIEW

1. The Sagging Agricultural Commodity Exchanges: Growth Constraints and Revival Policy Options

ABSTRACT

Commodity derivatives have a crucial role to play in managing price risk especially in agriculture dominated economies. However, they have been utilized in a very limited scale in India. As long as prices of many commodities are restrained to certain extent by Government intervention in production, supply and distribution, forwards and futures markets for hedging price risk in those commodities have only limited practical relevance. A review of the nature of institutional and policy level constraints facing this segment calls for more focused and pragmatic approach from government, the regulator and the exchanges for making the agricultural futures markets a vibrant segment for risk management.

Published in Economic and Political Weekly, Vol XXXVII No. 30, July 27-Aug. 02,
K.G. Sahadevan, PhD, Associate Professor, Indian Institute of Management

2. The commodity question: new thinking on old problems- Peter Gibbon Danish Institute for International Studies, Copenhagen.

- Volatility
- Decline in prices

PERFORMANCE EVALUATION OF SELECTED COMMODITIES

ABSTRACT

This paper reviews more and less mainstream policy options in relation to the 'commodity question' in the light both of its classical definition and of the emerging concern about oligopoly. It begins by updating the evidence concerning commodity price decline and volatility, and examining the implications of these phenomena for macro-economic performance and livelihoods in producing countries.

3. "The Self-Regulation of Commodity Exchanges: The Case of Market Manipulation."

STEPHEN CRAIG PIRRONG-

The Journal of Law and Economics, April, 1995.

ABSTRACT

The paper deals with Price dissemination that every Mandy becomes a monopoly to the local producers, especially once they come to the market. Farmers typically face a short period between the time that they harvest and the time that they can sell the crop.

4. Commodity Derivatives and Futures Trading: A Study of the Sources of Market Failure and the Policy Options for its Revival, Report of consulting assignment for Forward Markets Commission, Mumbai, August 2003.

ABSTRACT

The lack of standards and certification Prices can be quoted and compared across the country once there is a good standardization of commodities. Once commodities can be clearly categorized as one standard as opposed to the other, then prices become more meaningful for comparison at one Mandy versus another. These standards should be applicable equally across all states.

5. Futures Trading and Investor Returns: An Investigation of Commodity Market Risk Premiums

PERFORMANCE EVALUATION OF SELECTED COMMODITIES

Katherine Dusak, *Journal of Political Economy*, Vol. 81, No. 6 (Nov.-Dec., 1973), pp. 1387-1406

Abstract

The long-standing controversy over whether speculators in a futures market earn a risk premium is analyzed within the context of the capital asset pricing model recently developed by Sharpe, Lintner, and others. Under that approach the risk premium required on a futures contract should depend not on the variability of prices but on the extent to which the variations in prices are systematically related to variations in the return on total wealth. The systematic risk was estimated for a sample of wheat, corn, and soybean futures contracts over the period 1952 to 1967 and found to be close to zero in all three cases. Average realized holding period returns on the contracts over the same period were close to zero.

CHAPTER IV

DATA ANALYSIS AND INTERPRETATION

4.1 COPPER

Characteristics Of Copper

PERFORMANCE EVALUATION OF SELECTED COMMODITIES

Copper ranks third in world metal consumption after steel and aluminum. It is a product whose fortunes directly reflect the state of the world's economy.

Copper is the best non-precious metal conductor of electricity. The metal's exceptional strength, ductility, and resistance to creeping and corrosion, makes it the preferred and safest conductor for building wiring. Copper is also used in power cables, either insulated or uninsulated, for high, medium and low voltage applications. Copper is an essential component of energy efficient motors and transformers and automobiles.

Global Scenario

Economic, technological and societal factors influence the supply and demand of copper. As society's need for copper increases, new mines and plants are introduced and existing ones expanded.

Land-based resources are estimated at 1.6 billion tons of copper, and resources in deep-sea nodules are estimated at 0.7 billion tons. The global production of refined copper is around 15 million tons. The major copper-consuming nations are Western Europe (28.5%), the United States (19.1%), Japan (14%), and China (5.3%). Copper and copper alloy scrap composes a significant share of the world's supply. The largest international sources for scrap are the United States and Europe. Chile, Indonesia, Canada and Australia are the major exporters and Japan, Spain, China, Germany and Philippines are the major importers.

Indian Scenario

The size of Indian Copper Industry is around 4 lakh tons, which as percentage of world copper market is 3 %. Birla Copper, Sterilities Industries are two major private producers and Hindustan Copper Ltd the

PERFORMANCE EVALUATION OF SELECTED COMMODITIES

public sector producers. India is emerging as net exporter of copper from the status of net importer on account of rise in production by three companies.

Copper goes into various usages such as Building, Cabling for power and telecommunications, Automobiles etc. Two major states owned telecommunications service providers; BSNL and MTNL consume 10% of country's copper production. Growth in the building construction and automobile sector would keep demand of copper high.

World Copper Markets

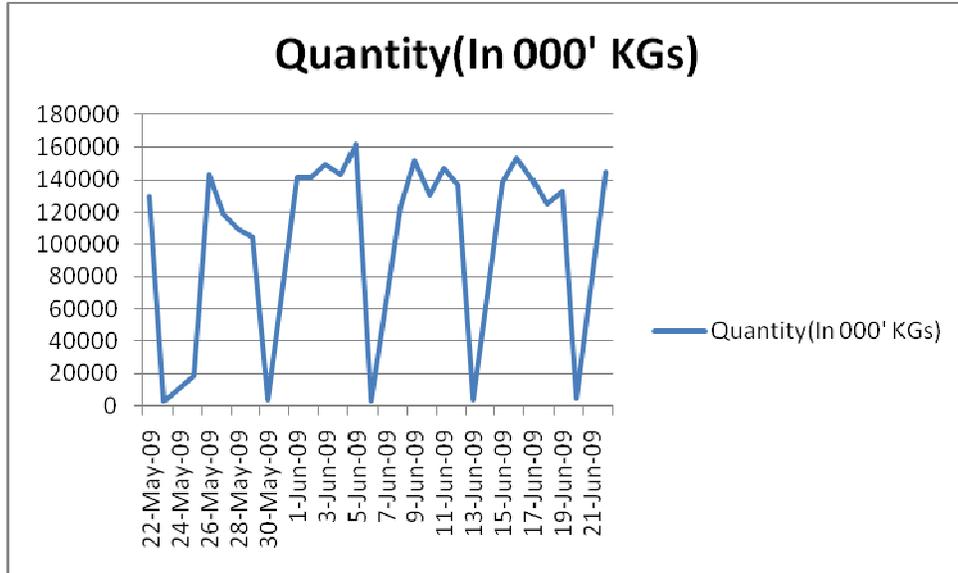
LME and NYMEX are the two international markets, which provide direction to the copper prices. The eight leading refining nations, viz., United States, Japan, Chile, Canada, Zambia, Belgium, and the Federal Republic of Germany account for 67% of total refined metal production.

Factors Influencing Copper Markets

Copper prices in India are fixed on the basis of the rates that rule on LME the preceding day. World copper mine production through exploration of new mine and expansion of existing mine. Economic growth of the major consuming countries such as China Germany etc. growth and development in the Building, electronics and electrical industry.

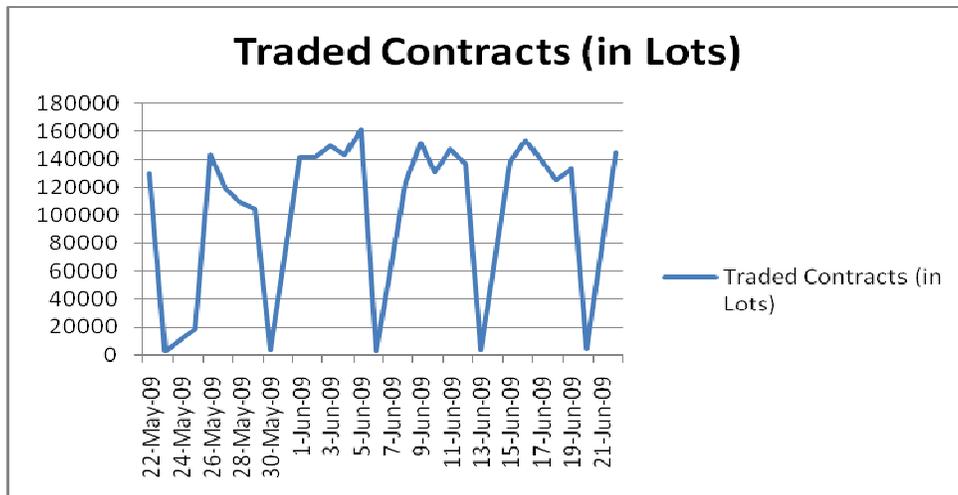
QUANTITY TRADED FOR THE PERIOD

PERFORMANCE EVALUATION OF SELECTED COMMODITIES



Here we can see the changes of the quantity traded of copper over a period of 1 month. It starts from 129755000 kgs and there are so many fluctuations in this , after all, at the end of our selected period, it reaches at a level of 144610000 kgs. During this period, it goes through a highest trading volume. ie on 5th June it reached a level of 161236000 kgs traded

TRADED CONTRACTS FOR THE PERIOD

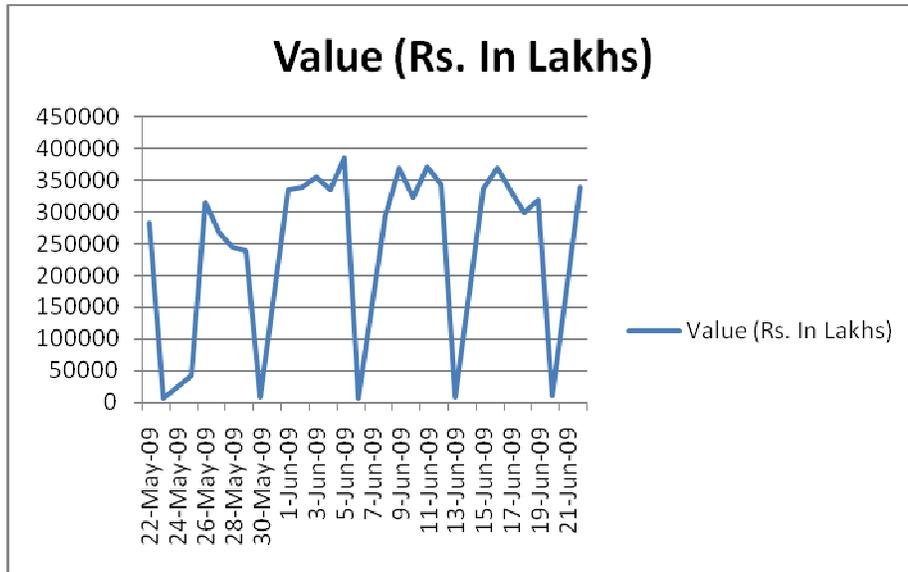


It illustrated here the volume of traded contracts of copper over a period of 1 month. It starts from 129755lots and there are so many fluctuations in

PERFORMANCE EVALUATION OF SELECTED COMMODITIES

this , after all, at the end of our selected period, it reaches at a level of 144610 lots. During this period, it goes through a highest trading volume of contracts. ie on 5th June it reached a level of 161236 lots traded contracts.

VALUE OF THE COPPER TRADED



This graph depicts the value of copper traded in MCX over a period of one month starts from 22nd May 2009 to 22nd June 2009. We can understand that, the total value is Rs.6877377 lakh. And it witnessed a highest value on 4th June ie Rs.41017.62 lakh. And in the last day of the period it ends by Rs.339500.6 lakh.

4.2 CRUDE OIL

Almost all industries including agriculture are dependent on oil in one way or other. Oil & lubricants, transportation, petrochemicals, pesticides and insecticides, paints, perfumes, etc. are largely and directly affected by the oil prices. Aviation gasoline, motor gasoline, naphtha, kerosene, jet fuel, distillate fuel oil, residual fuel oil, liquefied petroleum gas, lubricants, paraffin wax, petroleum coke, asphalt and other products are obtained from the processing of crude and other hydrocarbon compounds. The prices of crude are highly volatile. High oil prices lead to inflation that in turn increases input costs; reduces non-oil demand and lower investment in net oil importing countries.

Categories of Crude oil

West Texas Intermediate (WTI) crude oil is of very high quality. Its API gravity is 39.6 degrees (making it a "light" crude oil), and it contains only about 0.24 percent of sulphur (making a "sweet" crude oil). WTI is generally priced about a \$2-4 per-barrel premium to OPEC Basket price and about \$1-2 per barrel premium to Brent, although on a daily basis the pricing relationships between these can vary greatly.

Brent Crude Oil stands as a benchmark for Europe.

India is very much reliant on oil from the Middle East (High Sulphur). The OPEC has identified China & India as their main buyers of oil in Asia for several years to come.

Crude Oil Units (average gravity)

1 US barrel = 42 US gallons.

1 US barrel = 158.98 liters'.

1 tonne = 7.33 barrels.

1 short ton = 6.65 barrels.

Note: barrels per tonne vary from origin to origin.

Global Scenario

Oil accounts for 40 per cent of the world's total energy demand. The world consumes about 76 million bbl/day of oil. United States (20 million bbl/d), followed by China (5.6 million bbl/d) and Japan (5.4 million bbl/d) are the top oil consuming countries. Balance recoverable reserve was estimated at about 142.7 billion tones (in 2002), of which OPEC was 112 billion tones.

OPEC fact sheet

OPEC stands for 'Organization of Petroleum Exporting Countries'. It is an organization of eleven developing countries that are heavily dependent on oil revenues as their main source of income. The current Members are Algeria, Indonesia, Iran, Iraq, Kuwait, Libya, Nigeria, Qatar, Saudi Arabia, the United Arab Emirates and Venezuela. OPEC controls almost 40 percent of the world's crude oil. It accounts for about 75 per cent of the world's proven oil reserves. Its exports represent 55 per cent of the oil traded internationally.

Indian Scenario

India ranks among the top 10 largest oil-consuming countries. Oil accounts for about 30 per cent of India's total energy consumption. The country's total oil consumption is about 2.2 million barrels per day. India imports about 70 per cent of its total oil consumption and it makes no exports. India faces a large supply deficit, as domestic oil production is unlikely to keep pace with demand. India's rough production was only 0.8 million barrels per day. The oil reserves of the country (about 5.4 billion barrels) are located primarily in Mumbai High, Upper Assam, Cambay, and Krishna-Godavari and Cauvery basins. Balance recoverable reserve was about 733 million tons (in 2003) of which offshore was 394 million tones and on shore was 339 million tones. India had a total of 2.1 million barrels per day in refining capacity. Government has permitted foreign participation in oil exploration, an activity restricted earlier to state owned entities.

Indian government in 2002 officially ended the Administered Pricing Mechanism (APM). Now crude price is having a high correlation with the international market price. As on date, even the prices of crude bi-products are

PERFORMANCE EVALUATION OF SELECTED COMMODITIES

allowed to vary +/- 10% keeping in line with international crude price, subject to certain government laid down norms/ formulae. Disinvestment/restructuring of public sector units and complete deregulation of Indian retail petroleum products sector is under way.

Market Influencing Factors

OPEC output and supply. Terrorism, Weather/storms, War and any other unforeseen geopolitical factors that causes supply disruptions. Global demand particularly from emerging nations. Dollar fluctuations. DOE / API imports and stocks. Refinery fires & funds buying.

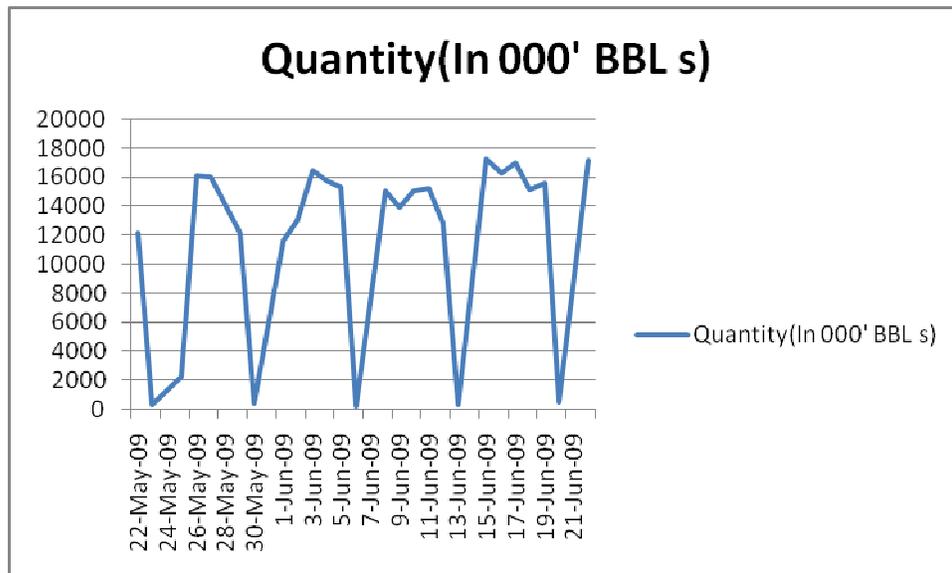
Exchanges dealing in Crude Futures

The New York Mercantile Exchange (NYMEX).

The International Petroleum Exchange of London (IPE).

The Tokyo Commodity Exchange (TOCOM).

QUANTITY TRADED FOR THE PERIOD

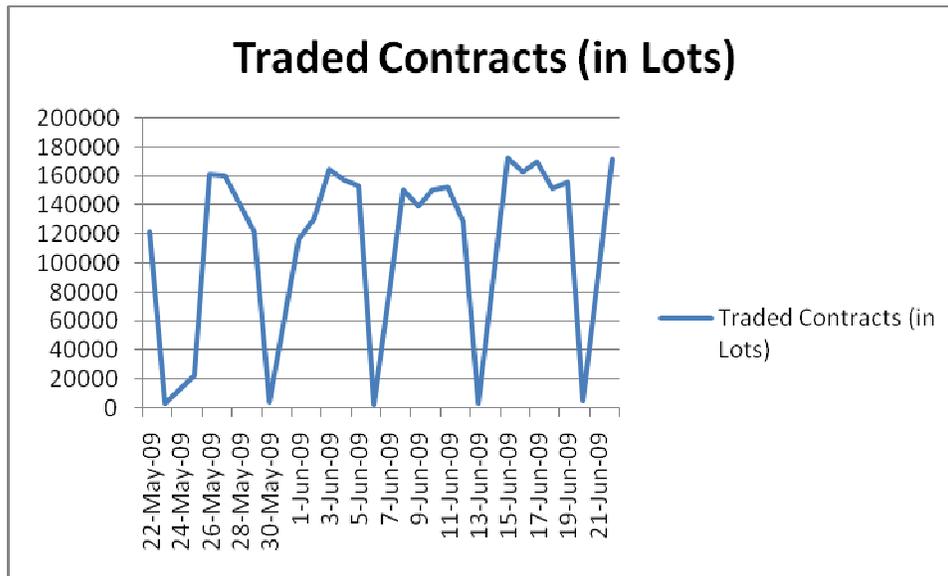


It illustrated here the volume of traded quantity of crude oil over a period of 1 month.

PERFORMANCE EVALUATION OF SELECTED COMMODITIES

It starts from 12119000 BBL and there are so many variances in this, after all, at the end of our selected period, it reaches at a level of 171153000 BBL. During this period, it goes through a highest trading volume of contracts. ie on 15th June it reached a level of 172274000 BBL traded contracts.

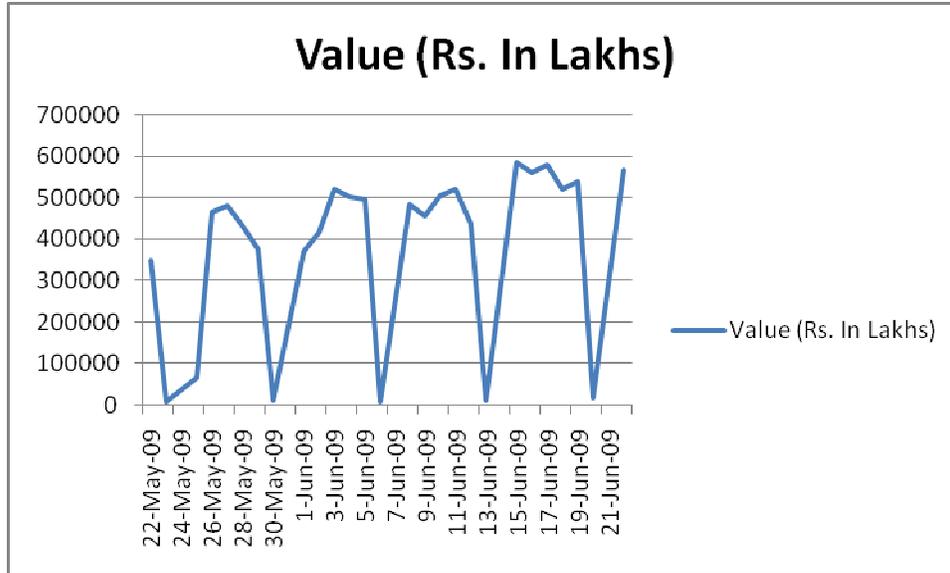
TOTAL CONTRACTS TRADED FOR THE PERIOD



This graph depicts the value of crude oil traded in MCX over a period of one month starts from. We can understand that, the total value is Rs. 3171706 lots. And it witnessed a highest value on 15th June ie Rs. 172274 lots. And in the last day of the period it ends by 171153 lots.

VALUE OF CRUDE TRADED

PERFORMANCE EVALUATION OF SELECTED COMMODITIES



This graph depicts the value of crude oil traded in MCX over a period of one month starts from 22nd May 2009 to 22nd June 2009. We can understand that, the total value is Rs. 10322455 lakh. And it witnessed a highest value on 15th June i.e. Rs. 586708.9 Lakhs. And in the last day of the period it ends by Rs. 569524.9 lakh.

4.1(3) SILVER M

General Characteristics

Silver's unique properties make it a very useful 'Industrial Commodity', despite it being classed as a precious metal. Demand for silver is built on three main pillars; industrial uses, photography and Jewellery & silverware accounting for 342, 205 and 259 million ounces respectively in 2002. Just over half of mined silver comes from Mexico, Peru and United States, respectively, the first, second and fourth largest producing countries. The third largest is Australia. Primary mines produce about 27 percent of world silver, while around 73 percent comes as a by-product of gold, copper, lead, and zinc mining.

The price of silver is not only a function of its primary output but more a function of the price of other metals also, as world mine production is more a function of the

PERFORMANCE EVALUATION OF SELECTED COMMODITIES

prices of other metals. The tie between silver and economic activity is strong, given that around two-thirds of total silver fabrication is in the industrial and photographic sectors. Often a faster growth in demand against supply leads to drop in stocks with government and investors. Economically viable primary silver mine is a function of the world silver price level

World Silver Supply from Above-ground Stocks

	Million Ounces	
	2001	2002
Implied Net Disinvestment	-9.5	20.9
Producer Hedging	18.9	-24.8
Net Government Sales	87.2	71.3
Sub-total Bullion	96.6	67.4
Scrap	182.7	184.9
Total	279.3	252.3

Indian Scenario

Silver imports into India for domestic consumption in 2002 was 3,400 tons down 25 % from record 4,540 tons in 2001. Open General License (OGL) imports are the only significant source of supply to the Indian market. Non-duty paid silver for the export sector rose sharply in 2002, up by close to 200% year-on-year to 150 tons. Around 50% of India's silver requirements last year were met through imports of Chinese silver and other important sources of supply being UK, CIS, Australia and Dubai.

Indian industrial demand in 2002 is estimated at 1375 tons down by 13 % from 1,579 tons in 2001. In spite of this fall, India is still one of the largest users of silver in the world, ranking alongside Industrial giants like Japan and the United States. By contrast with United States and Japan, Indian industrial offtake for fabrication in hardcore industrial applications like electronics and brazing alloys accounts for only 15 % and the rest being for foils for use in the decorative covering of food, plating of

PERFORMANCE EVALUATION OF SELECTED COMMODITIES

Jewellery and silverware and jari. In India silver price volatility is also an important determinant of silver demand as it is for gold.

World Markets London Bullion Market is the global hub of OTC (Over-The-Counter) trading in silver. Comex futures in New York is where most fund activity is focused
Frequency Distribution of Silver London Fixing Volatility from 1995 till date

Percentage Change	> 7%	5-7%	3-5%	< 3%
Daily				
Number of times	7	10	85	2086
Percentage times	0.3	0.5	3.9	95.3
Weekly				
Number of times	9	15	50	363
Percentage times	21	3.4	11.4	83.1

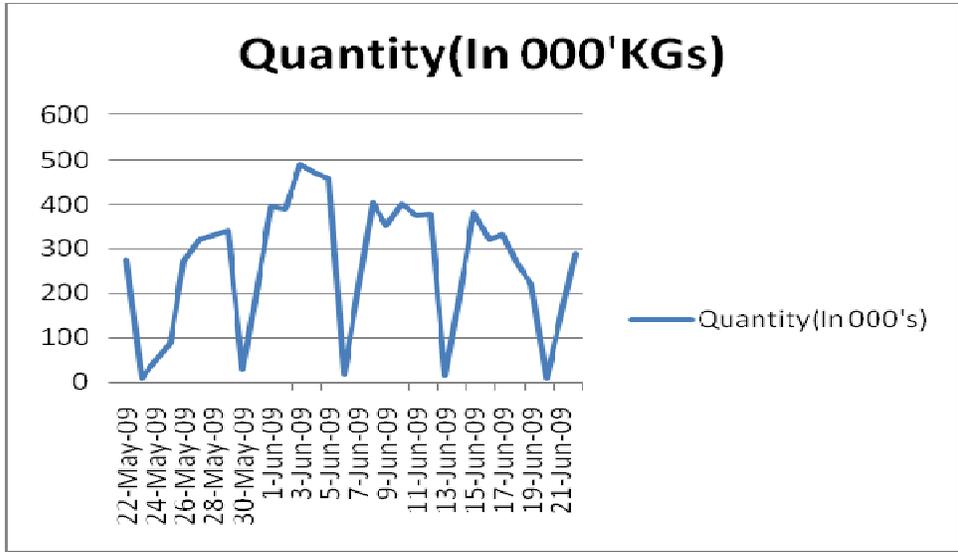
Biggest Price Movement since 1995

Between February 4 - 6, 1998, daily prices rocketed by 22.3%, as on a noted US financier had accumulated nearly 130 ounces of physical silver.

Note: Post September 1999 daily silver prices have not shown more than 5% movement once and weekly silver prices only once/

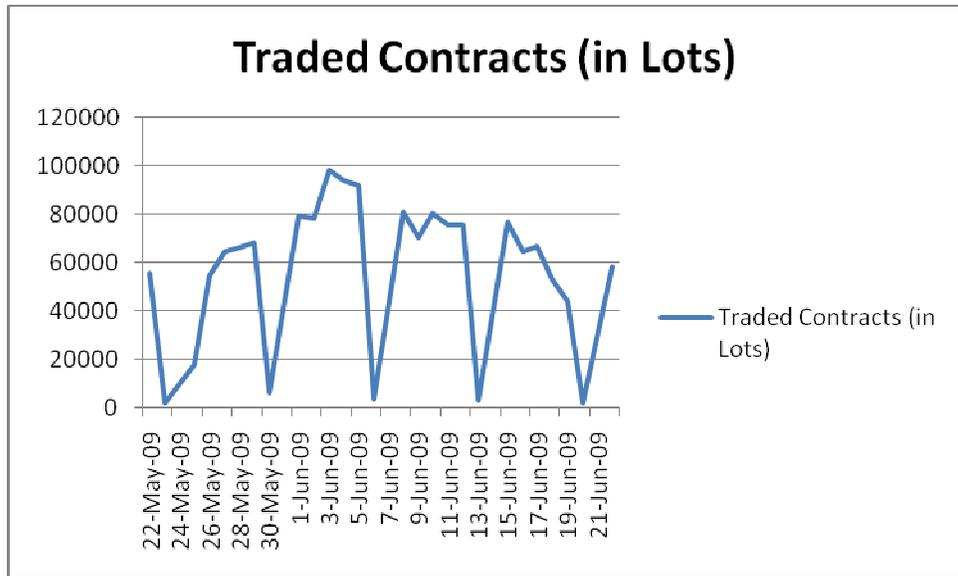
QUANTITY TRADED FOR THE PERIOD

PERFORMANCE EVALUATION OF SELECTED COMMODITIES



Here we can see the changes of the quantity traded of Silver M over a period of 1 month. It starts from 276185 kgs and there are so many fluctuations in this, after all, at the end of our selected period, it reaches at a level of 290055 kgs. During this period, it goes through a highest trading volume. ie on 3rd June it reached a level of 490025 kgs traded volume.

TRADED CONTRACTS FOR THE PERIOD

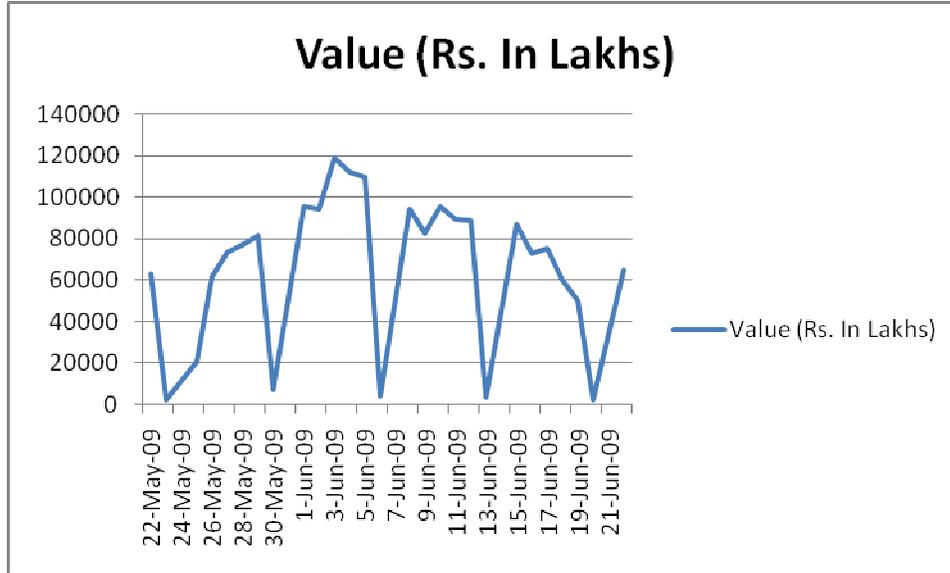


It illustrated here the volume of traded contracts of Silver M over a period of 1 month. It starts from 55237 lots and there are so many fluctuations in this, after all, at the end of our selected period, it reaches at a level of 58011 lots. During this period, it goes through

PERFORMANCE EVALUATION OF SELECTED COMMODITIES

a highest trading volume of contracts. ie on 3rd June it reached a level of 98005 lots traded contracts.

VALUE TRADED



This graph illustrates the value of silver M traded in MCX over a period of one month starts from 22nd May 2009 to 22nd June 2009. We can understand that, the total value is Rs. 1784300 lakh. And it witnessed a highest value on 3rd June ie Rs. 118831.6 lakh. And in the last day of the period it ends by Rs. lakh.

4.1(4) NICKEL

Characteristics Of Nickel

Nickel finds its usage in various industries such as engineering, electrical and electronics, infrastructure, automobile and automobile components, packaging, Batteries etc. Among base metals Nickel is the most volatile owing to its strong demand and tight supply. Nickel demand is derived demand based on the growth of different industrial sector thus exhibits high volatility. About 65 per cent of nickel is used in manufacture of stainless steels, and 20 per cent in other steel and non-ferrous including "super" alloys, often for highly specialized industrial, aerospace and military applications.

Characteristics of World Nickel Market

PERFORMANCE EVALUATION OF SELECTED COMMODITIES

Nickel world market is characterized by rising demand and constrained supply. More than 54% of world total supply comes from only five companies. Global nickel consumption is growing by an average 3.1 per cent a year.

Supply and Demand

Major producers of Nickel are Russia, followed by Australia, Canada, New Caledonia and Indonesia, which represents over 65% of total world production. World primary nickel consumption is about 1 million tons. Consumption centers are Japan 2 lakh tons and European Union 3.74 lakh tons. Rapid expansion of global stainless steel production is fuelling demand for primary nickel.

Important World Nickel Markets

London Metal Exchange.

Indian Nickel Market

Nickel market in India is of total import dependent. India imports around 30,000 tons of Nickel. Import duty on Nickel is 15%. With growth in the stainless steel sector Nickel import demand is expected to increase in the coming years.

India in World Nickel Industry

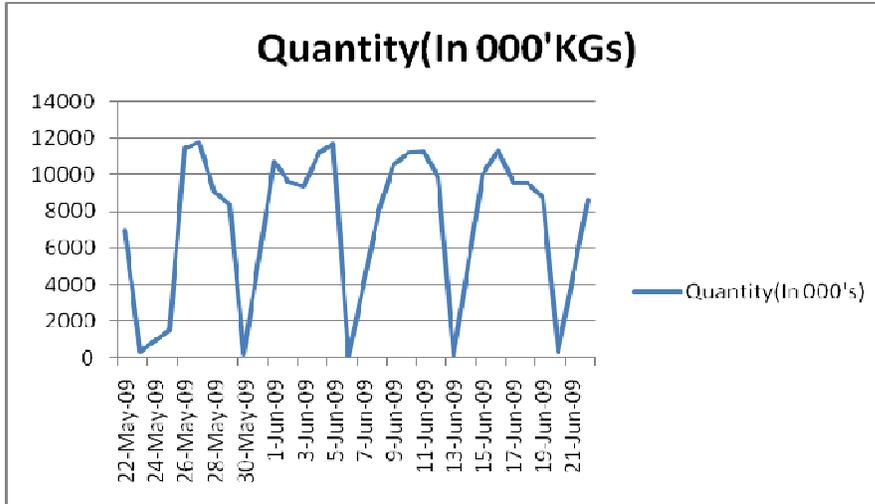
India meets its Nickel Requirement through import.

Factors Influencing Nickel Markets

Above ground supply from scrap. New mines discovery. Nickel demand is derived demand thus the situation in the various industries. Growth in consumption of Stainless steel

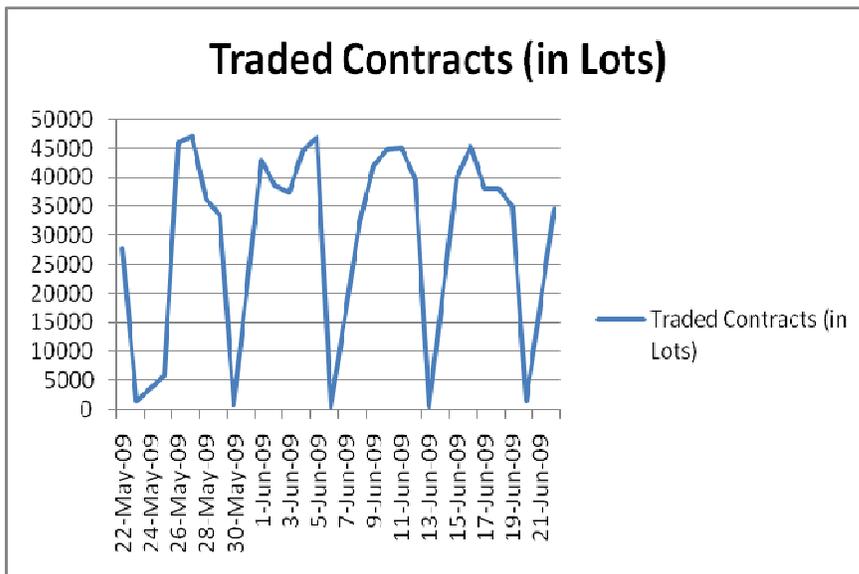
TOTAL TRADED QUANTITY FOR THE PERIOD

PERFORMANCE EVALUATION OF SELECTED COMMODITIES



It illustrated here the volume of traded quantity of Nickel over a period of 1 month. It starts from 6957250 kgs and there are so many variances in this, after all, at the end of our selected period, it reaches at a level of 8631000 kgs. During this period, it goes through a highest trading volume of 11771500 kgs. ie on 27th June it reached a level of traded quantity.

TOTAL TRADED CONTRACTS FOR THE PERIOD

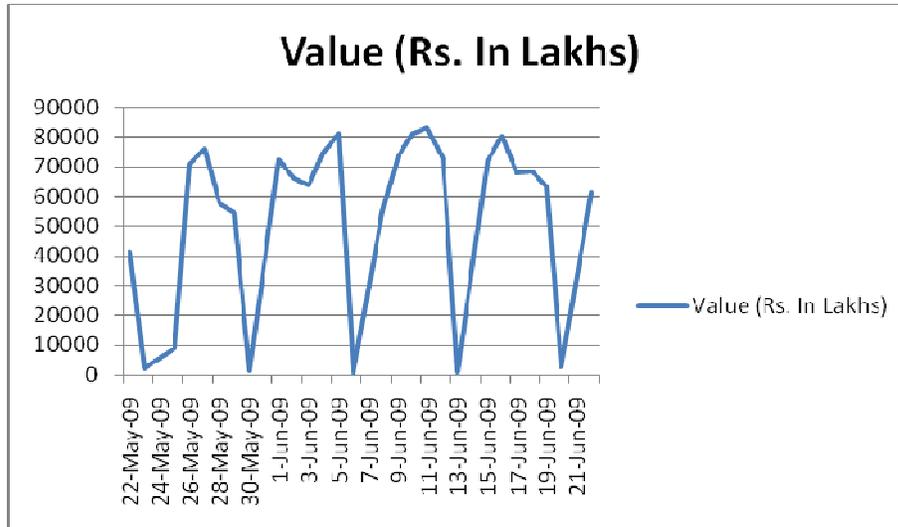


This graph depicts the value of Nickel traded in MCX over a period of one month. We can understand that, the total value is. 847763 lots. And it witnessed a highest value on

PERFORMANCE EVALUATION OF SELECTED COMMODITIES

27th May ie 47086 lots. And in the last day of the period it ends by 34524 lots.

TRADED VALUE



Here it is illustrated the value of Nickel traded in the MCX over a period of onre month. On 22nd may 2009 it starts from the value of Rs.41084.84 lakh and it reached a level of Rs.61181.29 Lakh on the end of the period. It reached a highest level for the period on 19th June at Rs.83011.45 lakh.

4.1(5) SILVER

General Characteristics

Silver's unique properties make it a very useful 'Industrial Commodity', despite it being classed as a precious metal. Demand for silver is built on three main pillars; industrial uses, photography and Jewellery & silverware accounting for 342, 205 and 259 million ounces respectively in 2002. Just over half of mined silver comes from Mexico, Peru and United States, respectively, the first, second and fourth largest producing countries. The third largest is Australia.

Primary mines produce about 27 percent of world silver, while around 73 percent comes as a by-product of gold, copper, lead, and zinc mining. The price of silver is not only a function of its primary output but more a function of the price of other metals also, as world mine production is more a function of the prices of other metals. The tie

PERFORMANCE EVALUATION OF SELECTED COMMODITIES

between silver and economic activity is strong, given that around two-thirds of total silver fabrication is in the industrial and photographic sectors. Often a faster growth in demand against supply leads to drop in stocks with government and investors.

Economically viable primary silver mine is a function of the world silver price level

Indian Scenario

Silver imports into India for domestic consumption in 2002 was 3,400 tons down 25 % from record 4,540 tons in 2001. Open General License (OGL) imports are the only significant source of supply to the Indian market. Non-duty paid silver for the export sector rose sharply in 2002, up by close to 200% year-on-year to 150 tons. Around 50% of India's silver requirements last year were met through imports of Chinese silver and other important sources of supply being UK, CIS, Australia and Dubai.

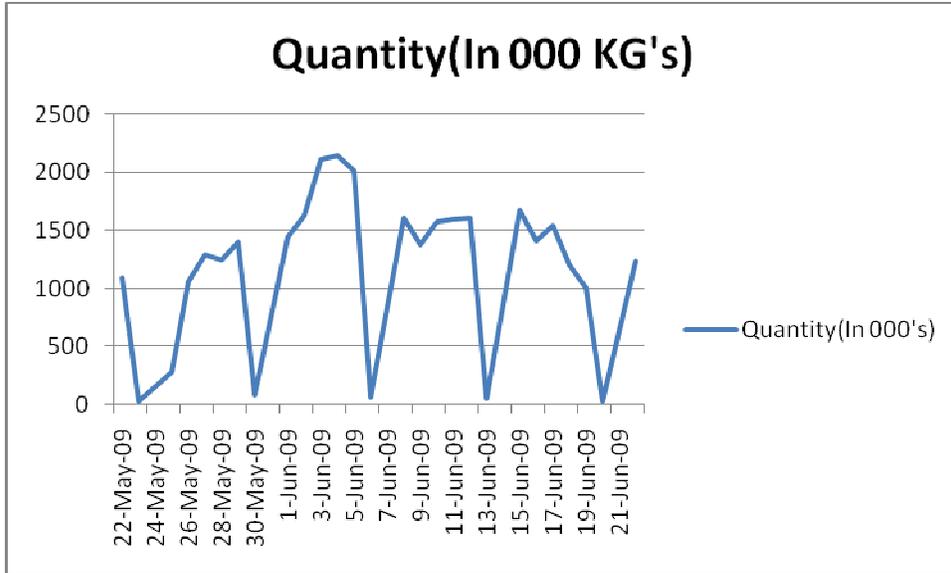
Indian industrial demand in 2002 is estimated at 1375 tons down by 13 % from 1,579 tons in 2001. In spite of this fall, India is still one of the largest users of silver in the world, ranking alongside Industrial giants like Japan and the United States. By contrast with United States and Japan, Indian industrial offtake for fabrication in hardcore industrial applications like electronics and brazing alloys accounts for only 15 % and the rest being for foils for use in the decorative covering of food, plating of Jewellery and silverware and jari. In India silver price volatility is also an important determinant of silver demand as it is for gold.

World Markets

London Bullion Market is the global hub of OTC (Over-The-Counter) trading in silver. Comex futures in New York is where most fund activity is focused

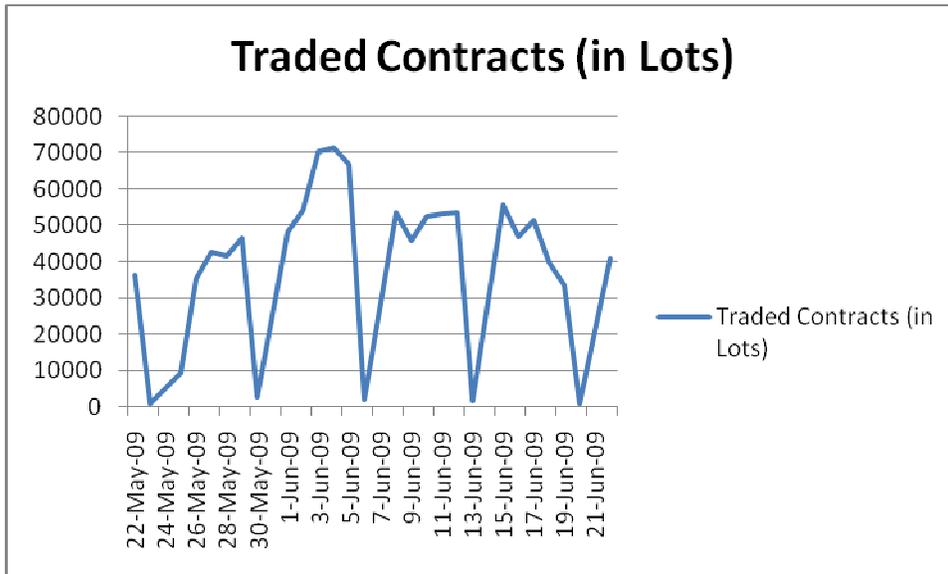
TOTAL TRADED QUANTITY FOR THE PERIOD

PERFORMANCE EVALUATION OF SELECTED COMMODITIES



Here we can see the changes of the quantity traded of Silver over a period of 1 month. It starts from 1089180 kgs and there are so many fluctuations in this, after all, at the end of our selected period, it remains at the same level of 1089180kgs. During this period, it touches the highest trading volume. ie on 4th June it reached a level of 2147670 kgs traded volume.

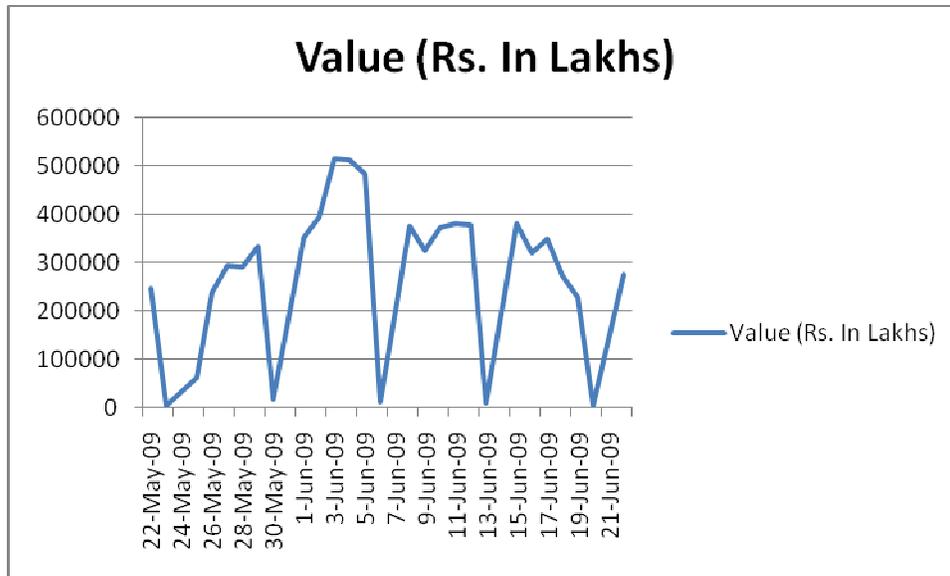
TOTAL TRADED CONTRACTS IN LOTS



PERFORMANCE EVALUATION OF SELECTED COMMODITIES

It illustrated here the volume of traded contracts of Silver over a period of 1 month. It starts from 36306 lots and there are so many fluctuations in this, after all, at the end of our selected period, it reaches at a level of 41018 lots. During this period, it goes through a highest trading volume of contracts. ie on 4th June it reached a level of 71589 lots traded contract

TRADED VALUE



Here it is illustrated the value of Silver traded in the MCX over a period of one month. On 22nd may 2009 it starts from the value of Rs. 246969.6 lakh and it reached a level of Rs. 275404.4 Lakh on the end of the period. It reached a highest level for the period on 3th June at Rs. 514135.2 lakh.

4.1(6) NATURAL GAS

Natural gas is gas consisting primarily of methane. It is found associated with fuels, in coal beds as, methane clathrates and is created by methanogenic organisms in marshes, bogs and landfills. It is an important fuel source, major feedstock for fertilizers, and a potent green house gas.

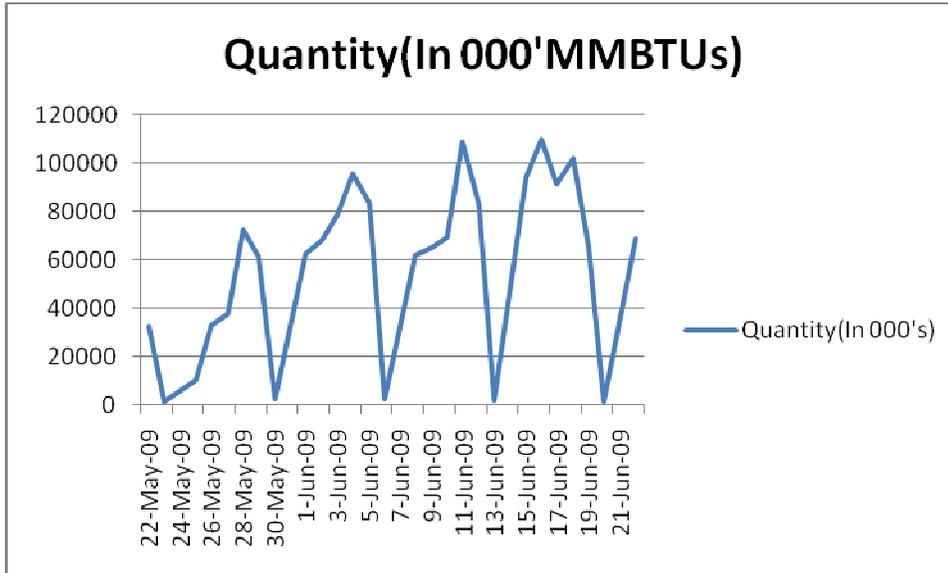
Natural gas is often informally referred to as simply gas, especially when compared to other energy sources such as electricity.

Before natural gas can be used as a fuel, it must undergo extensive processing to remove almost all materials other than methane. The by-products of that processing include

PERFORMANCE EVALUATION OF SELECTED COMMODITIES

ethane, propane, butanes, pentanes and higher molecular weight hydrocarbons, elemental sulfur, and sometimes helium and nitrogen

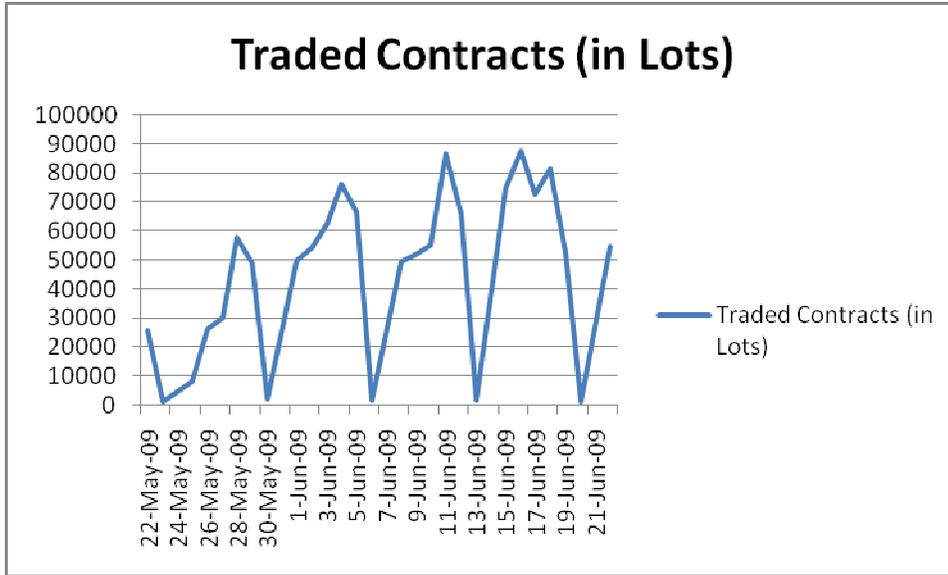
TOTAL TRADED QUANTITY FOR THE PERIOD



Here is the see the changes of the quantity traded of natural gas over a period of 1 month. It starts from 32106250 mmbtu and there are so many fluctuations in this, after all, at the end of our selected period, it remains at the same level of 68577500 mmbtu. During this period, it touches the highest trading volume. ie on 4th June it reached a level of 109597500 mmbtu traded volume.

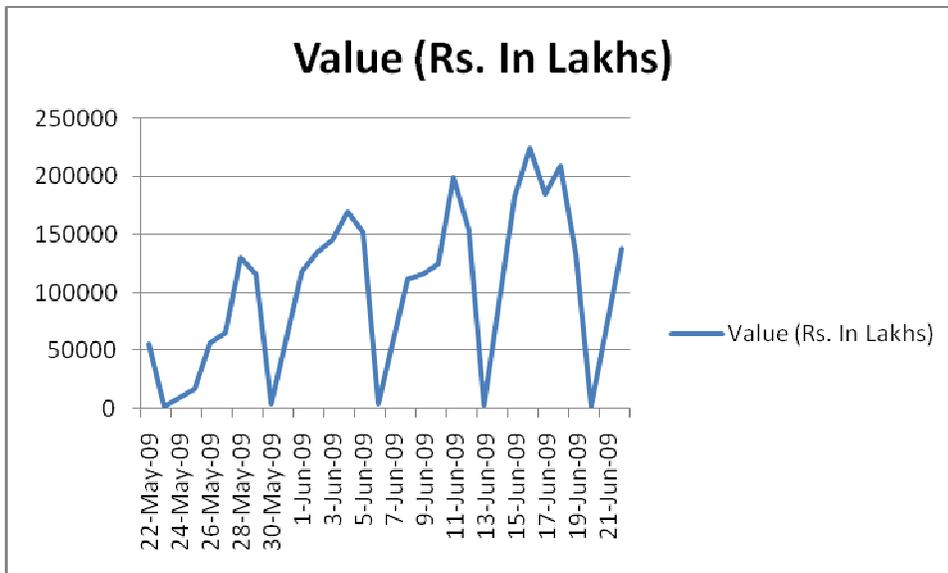
TOTAL TRADED CONTRACTS

PERFORMANCE EVALUATION OF SELECTED COMMODITIES



It illustrated here the volume of traded contracts of Natural gas over a period of 1 month. It starts from 25685 lots and there are so many fluctuations in this, after all, at the end of our selected period, it reaches at a level of 54862 lots. During this period, it goes through a highest trading volume of contracts. ie. On 16th June it reached a level of 87678 lots traded contract.

TRADED VALUE



PERFORMANCE EVALUATION OF SELECTED COMMODITIES

The above illustrated is the value of natural gas traded in the MCX over a period of one month. On 22nd may 2009 it starts from the value of Rs. 56285.92 lakh and it reached a level of Rs. 138524.9 Lakh on the end of the period. It reached a highest level for the period on 16th June at Rs. 224890.2 lakh.

4.1(7) GOLD

Gold is the oldest precious metal known to man. Therefore, it is a timely subject for several reasons. It is the opinion of the more objective market experts that the traditional investment vehicles of stocks and bonds are in the areas of their all-time highs and may be due for a severe correction. To fully appreciate why 8,000 years of experience say "gold is forever", we should review why the world reveres what England most famous economist, John Maynard Keynes, has cynically called the "barbarous relic. Why gold is "good as gold" is an intriguing question. However, we think that the more pragmatic ancient Egyptians were perhaps more accurate in observing that gold's value was a function of its pleasing physical characteristics and its scarcity.

Gold is primarily a monetary asset and partly a commodity. More than two thirds of gold's total accumulated holdings account as 'value for investment' with central bank reserves, private players and high-carat Jeweler. Less than one third of gold's total accumulated holdings is as a 'commodity' for Jeweler in Western markets and usage in industry. The Gold market is highly liquid and gold held by central banks, other major institutions and retail Jeweler keep coming back to the market.

Due to large stocks of Gold as against its demand, it is argued that the core driver of the real price of gold is stock equilibrium rather than flow equilibrium. Economic forces that determine the price of gold are different from, and in many cases opposed to the forces that influence most financial assets. South Africa is the world's largest gold producer with 394 tons in 2001, followed by US and Australia. India is the world's largest gold consumer with an annual demand of 800 tons.

PERFORMANCE EVALUATION OF SELECTED COMMODITIES

World Gold Markets

- London as the great clearing house
- New York as the home of futures trading
- Zurich as a physical turntable Istanbul,
- Dubai, Singapore and Hong Kong as doorways to important consuming regions.
- Tokyo where TOCOM sets the mood of Japan Mumbai under India's liberalized gold regime

India in World Gold Industry

(Rounded Figures)	India (In Tons)	World (In Tons)	% Share
Total Stocks	13000	145000	9
Central Bank holding	400	28000	1.4
Annual Production	2	2600	0.08
Annual Recycling	100-300	1100-1200	13
Annual Demand	800	3700	22
Annual Imports	600	---	---
Annual Exports	60	---	---

Indian Gold Market

Gold is valued in India as a savings and investment vehicle and is the second preferred investment after bank deposits. India is the world's largest consumer of gold in jewellery as investment. In July 1997 the RBI authorized the commercial banks to import gold for sale or loan to jewelers and exporters. At present, 13 banks are active in the import of gold. This reduced the disparity between international and domestic prices of gold from 57 percent during 1986 to 1991 to 8.5 percent in 2001. The gold hoarding tendency is well ingrained in Indian society. Domestic consumption is dictated by monsoon, harvest and marriage season. Indian jewellery off take is sensitive to price increases and even more so to volatility. In the cities gold is facing competition from the stock market and a wide range of consumer goods.

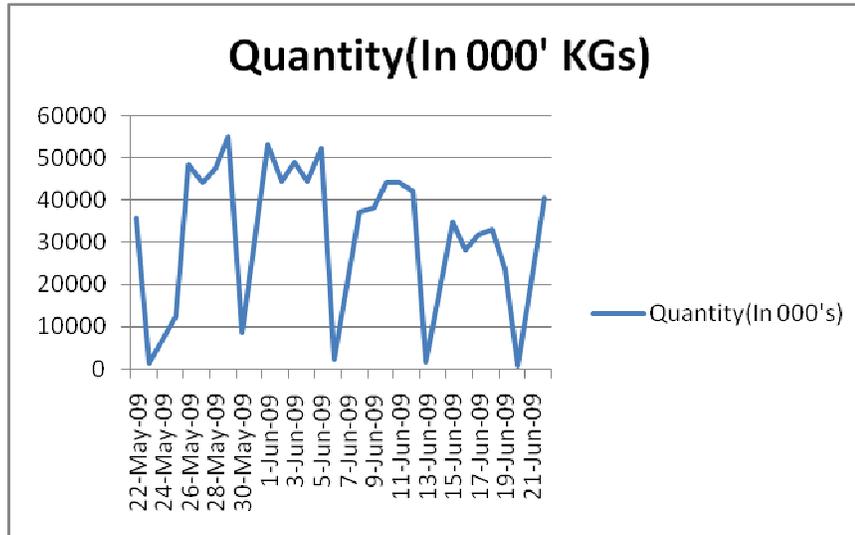
Facilities for refining, assaying, making them into standard bars in India, as compared

PERFORMANCE EVALUATION OF SELECTED COMMODITIES

to the rest of the world, are insignificant, both qualitatively and quantitatively.

Market Moving Factors .Above ground supply from sales by central banks, reclaimed scrap and official gold loans .Producer / miner hedging interest .World macro-economic factors - US Dollar, Interest rate .Comparative returns on stock markets .Domestic demand based on monsoon and agricultural output

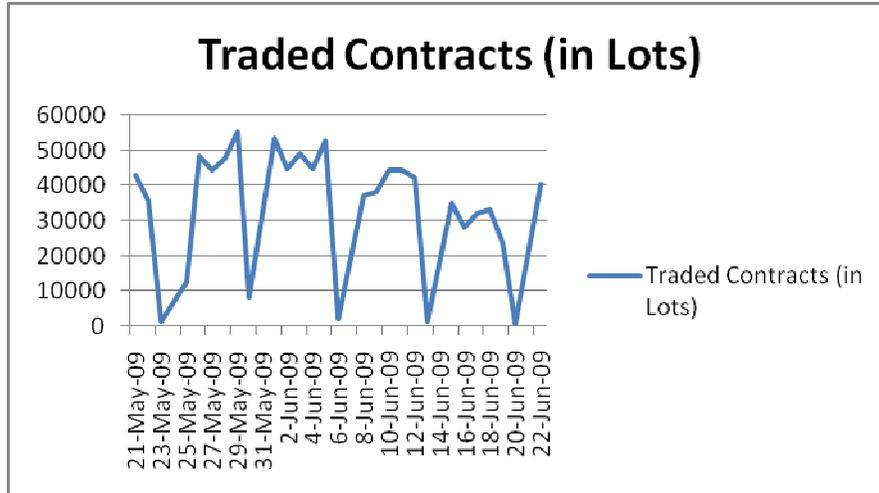
TRADED VOLUME FOR THE PERIOD



Here is the the changes of the quantity traded of Gold over a period of 1 month. It starts from 35610000 GRMS and there are so many fluctuations in this, after all, at the end of our selected period, it remains at the same level of 40409 GRMS. During this period, it touches the highest trading volume. ie on 4th June it reached a level of 55016

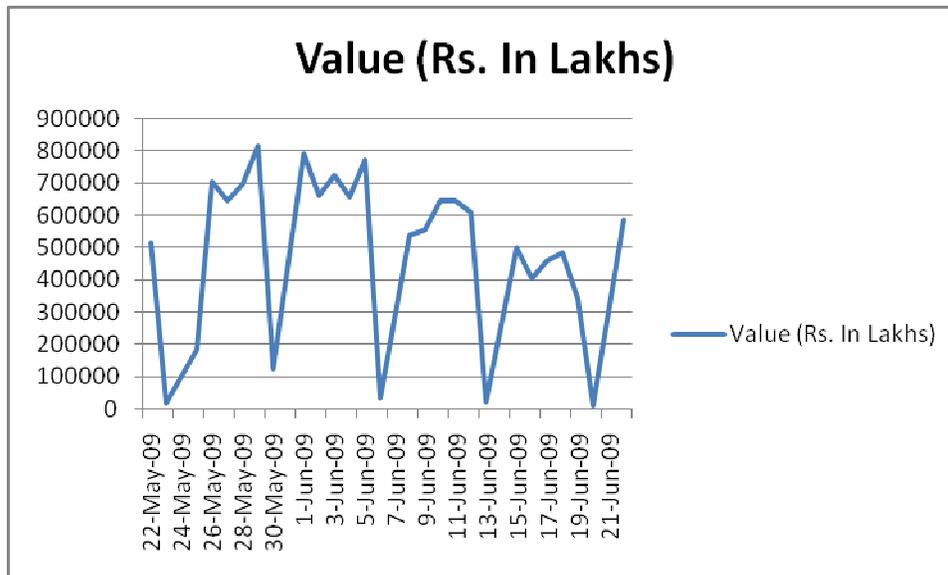
TRADED CONTRACTS FOR THE PERIOD

PERFORMANCE EVALUATION OF SELECTED COMMODITIES



It illustrated here the volume of traded contracts of Gold over a period of 1 month. It starts from 42929 lots and there are so many fluctuations in this, after all, at the end of our selected period, it reaches at a level of 40409 lots. During this period, it goes through a highest trading volume of contracts. ie. On 29th May it reached a level of 55016 lots traded contract.

TRADED VALUE



The above illustrated is the value of Gold traded in the MCX over a period of one month. On 22nd may 2009 it starts from the value of Rs. 516728.1 lakh and it reached a

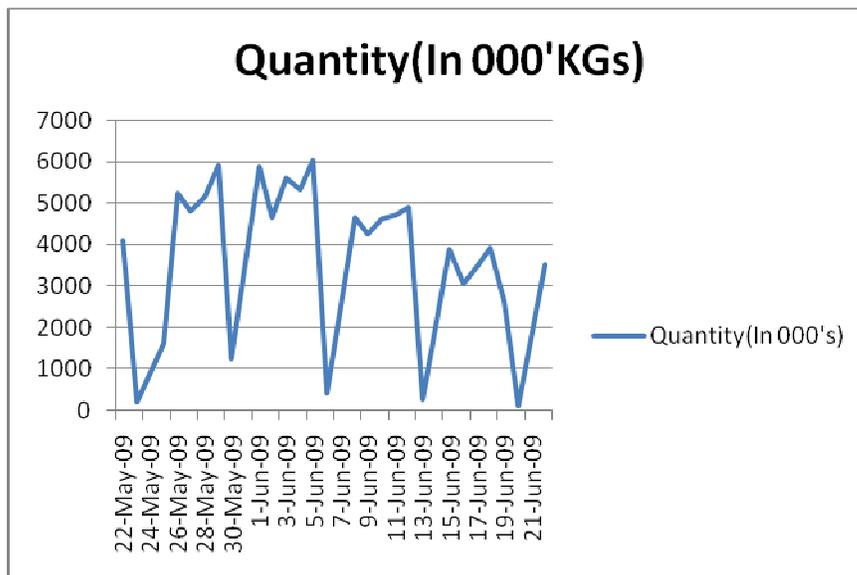
PERFORMANCE EVALUATION OF SELECTED COMMODITIES

level of Rs. 586185.9 Lakh on the end of the period. It reached a highest level for the period on 29th May at Rs. 815412.6

4.1(8) GOLD M

Gold is classified as gold, gold m, gold HNI, gold guinea like that .Gold M is classification of gold for trading. When the gold is traded in 100 grams it is called gold M London as the great clearing house New York as the home of futures trading Zurich as a physical turntable Istanbul, Dubai, Singapore and Hong Kong as doorways to important consuming regions Tokyo where TOCOM sets the mood of Japan.Mumbai under India's liberalized gold regime

TOTAL TRADED QUNTIY FOR THE PERIOD

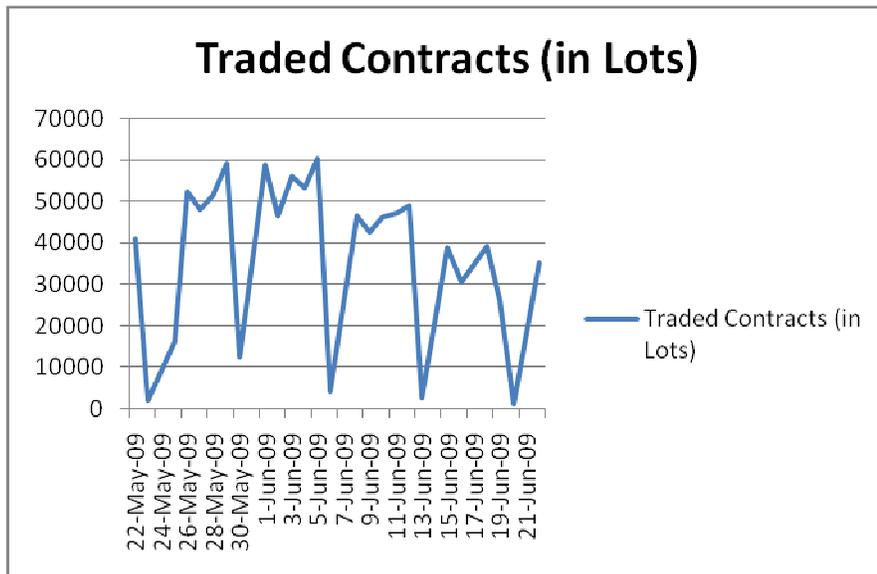


Here is the see the changes of the quantity traded of Gold M over a period of 1 month. It starts from 4108900 GRMS and there are so many fluctuations in this, after all, at the end of our selected period, it remains at the same level of

PERFORMANCE EVALUATION OF SELECTED COMMODITIES

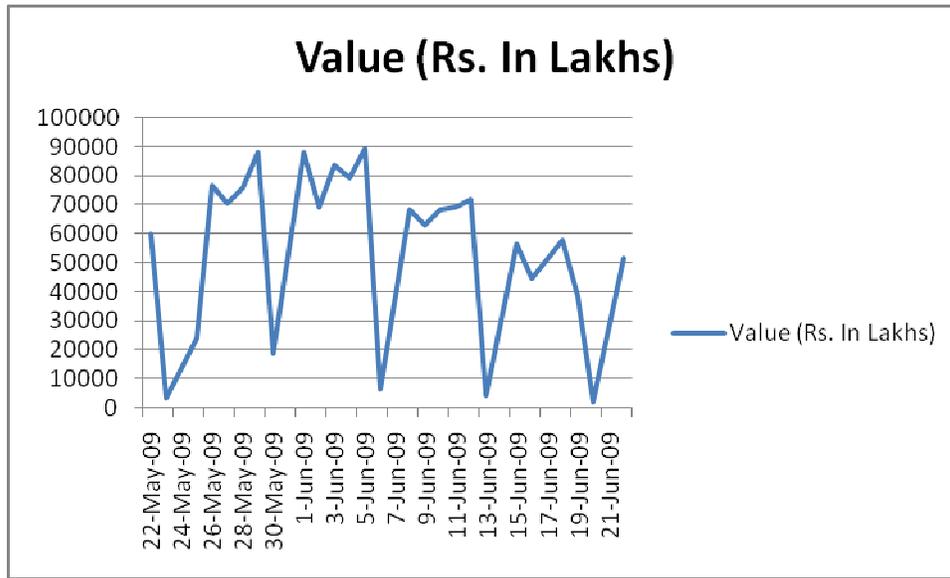
3536600 GRMS. During this period, it touches the highest trading volume. ie on 29th May it reached a level of 59

TOTAL TRADED CONTRACTS FOR THE PERIOD



It illustrated here the volume of traded contracts of Gold M over a period of 1 month. It starts from 41089 lots and there are so many fluctuations in this, after all, at the end of our selected period, it reaches at a level of 35366 lots. During this period, it goes through a highest trading volume of contracts. ie. On 29th May it reached a level of 59317 lots traded contract.

TRADED VALUE



The above illustrated is the value of Gold M traded in the MCX over a period of one month. On 22nd may 2009 it starts from the value of Rs. 59626.92 lakh and it reached a level of Rs. 51279.67 Lakh on the end of the period. It reached a highest level for the period on 5th June at Rs. 89111.25

4.1(9) LEAD

Characteristics of Lead

Lead is a very corrosion-resistant, dense, ductile, and malleable blue-gray metal that has been used for at least 5,000 years. Early uses of lead included building materials, pigments for glazing ceramics, and pipes for transporting water. Today's major use of lead is in lead-acid storage batteries. The electrical systems of vehicles, ships, and aircraft depend on such batteries for startup, and, in some cases, batteries provide the actual motive power. It is also for soundproofing in office buildings, schools, and hotels. It is widely used in hospitals to block X-ray and gamma radiation and is employed to shield against nuclear radiation both in permanent installations and when nuclear material is being transported. .

PERFORMANCE EVALUATION OF SELECTED COMMODITIES

Domestic Scenario

Lead production equalled approximately 82,000 tonnes in 2004, mostly from secondary sources. The main constraint in lead production in the country is the lack of lead ore reserves, which necessitates large-scale imports and recycling. Lead demand in India was estimated at 150,000 tonnes for 2004. Due to huge gap in demand-supply, India imported nearly about 50% of its domestic demand. The major suppliers for the imports were China, the Republic of Korea and Australia: 54%, 15% and 10% respectively. The domestic industry is characterized by the presence of only a few players in the primary segment. The primary lead industry in India is divided between the following main players: Binani Industries Limited and Sterlite Industries (India) Ltd. (Hindustan Zinc Ltd.). Due to increasing use of lead in domestic market both players are expanding their smelting capacities for lead.

World Scenario

USA, Japan, China, EU and India are the major consumers of Lead. Supply is controlled by Australia and China. Lead in the global market is traded as soft lead, animated lead, lead alloys and copper-base scrap.

Factor influencing demand and supply

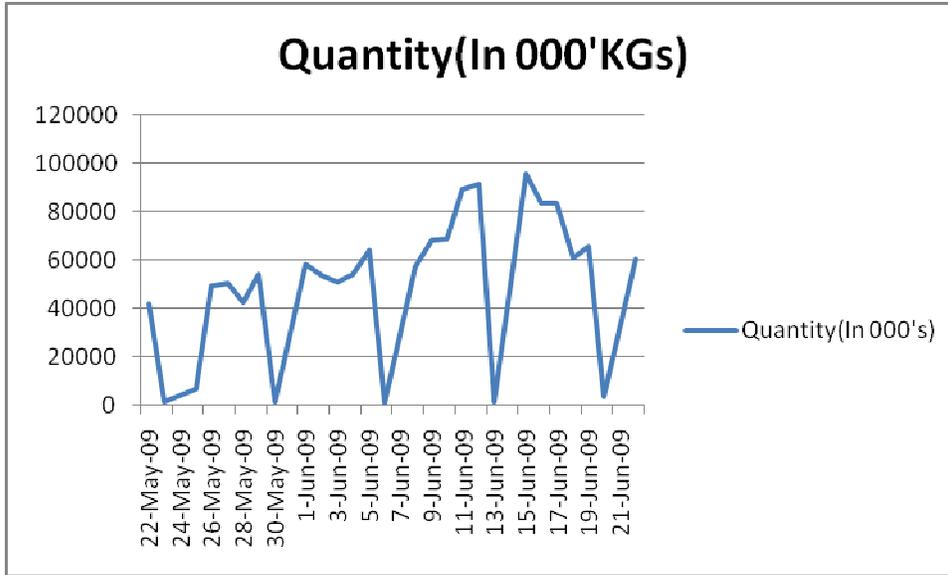
- Changes in inventory level at LME warehouses
- Economic growth rate of major consuming countries
- Global growth and demand in major consuming industries
- Prices of the alternative metal(s)
- Participation of funds

Global Exchange(s)

London Metal Exchange. IST of Global Exchanges (Price Clues from Other Major Global Exchanges). LME: 5.30 PM to 10.30 PM

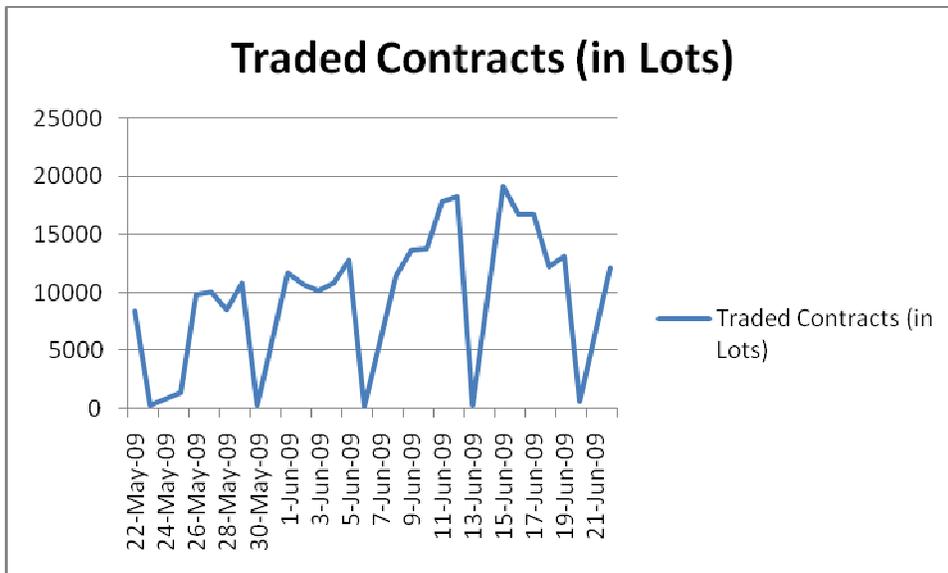
TOTAL TRADED QUANTITY

PERFORMANCE EVALUATION OF SELECTED COMMODITIES



Here are the changes of the quantity traded of Lead over a period of 1 month. It starts from 42120000 kgs and there are so many fluctuations in this, after all, at the end of our selected period, it ends at the same level of 60645000 kgs. During this period, it touches the highest trading volume. ie on 27th May it reached a level of 95785000 kgs

TOTAL TRADED CONTRACTS

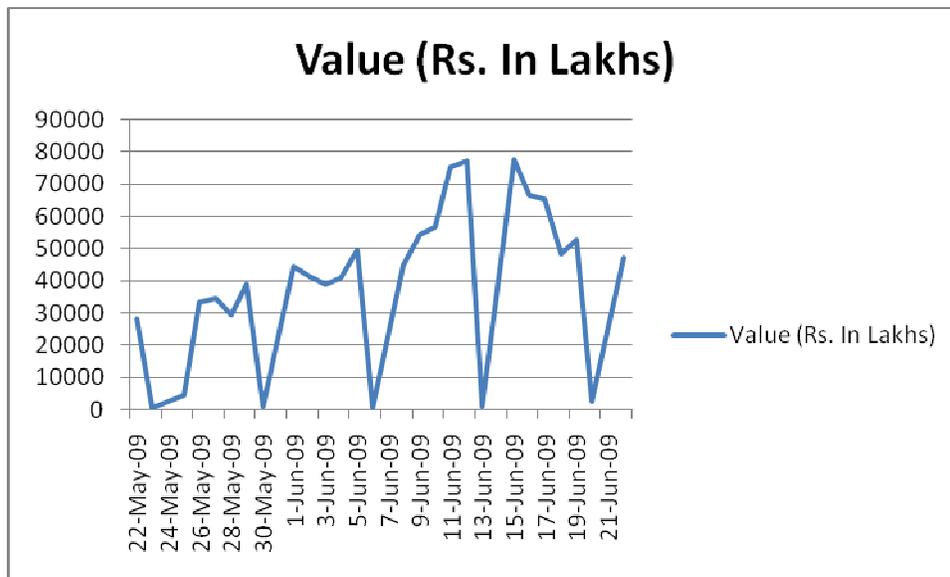


It illustrated here the volume of traded contracts of Lead over a period

PERFORMANCE EVALUATION OF SELECTED COMMODITIES

of 1 month. It starts from 8424 lots and there are so many fluctuations in this, after all, at the end of our selected period, it reaches at a level of 12129 lots. During this period, it goes through a highest trading volume of contracts. ie. On 15th June it reached a level of 19157 lots traded contract.

TRADED VALUE



The above illustrated is the value of Lead traded in the MCX over a period of one month. On 22nd may 2009 it starts from the value of Rs. 28265.27 lakh and it reached a level of Rs. 47290.44 Lakh on the end of the period. It reached a highest level for the period on 15th June at Rs. 77693.73

4.1(10) ZINC

General Characteristics

Zinc is the fourth most widely used metal after steel, aluminum and copper in the world. Due to its resistance to non-acidic atmospheric corrosion zinc is instrumental in extending the life of buildings, vehicles, ships and steel goods and structures of every kind. Zinc is a bluish-white lustrous metal. It is

PERFORMANCE EVALUATION OF SELECTED COMMODITIES

normally covered with a white coating on exposure to the atmosphere. Zinc dust is flammable when exposed to heat and burns with a bluish-green flame. Zinc also exists in many compounds. Zinc has a role in normal human growth, taste, and sperm development, but exposure to high levels of zinc through inhalation, ingestion, and dermal contact can cause adverse health effects.

Zinc is used for alloys, electroplating, metal spraying, electrical fuses, batteries, rubber, paint, glue and matches. Zinc is registered as a fungicide, herbicide, and rodenticide. The primary stationary sources of zinc are electric services, petroleum refining, crude petroleum and natural gas extraction, manufacturing of fabricated rubber products, manufacturing of fabricated metal heating and plumbing products, and manufacturing of inorganic chemicals. Indoor sources include infiltration of outdoor air, smoking, cooking, and other indoor sources. The average indoor concentration of zinc is normally slightly higher than the outdoor level. Zinc occurs naturally in the earth's crust.

Domestic Scenario

The Indian zinc industry entered its transformation phase with the privatization of the largest zinc producer, Hindustan Zinc Ltd, in favor of the Sterile group in April 2002. The domestic zinc industry is now completely under the private sector and is in the midst of a serious expansion programme. By 2010, India is expected to attain complete self-sufficiency in meeting its zinc demand. Thereafter, the process of India becoming an important zinc supplier to the world would be initiated, provided that another phase of capacity expansion is affected.

The country's zinc demand, which stood at 3.5 lakh tonnes in 2003-04, is expected to rise to 4 lakh tonnes in 2004-05, including imports 65,000 tonnes. Over the next five-six years, zinc demand is likely to grow at 12-15 per cent annually, against the global average of 5 per cent. Even if one assumes that zinc demand grows by 10 per cent till 2010 and at slower

PERFORMANCE EVALUATION OF SELECTED COMMODITIES

7 per cent thereafter, India would require zinc capacity of 14 lakh tpa by 2020, in order to be self-reliant. The next round of large capacity additions would, therefore, be warranted from 2008 onwards.

Buoyancy in domestic zinc demand primarily emanates from the boom in the steel industry, given that over 70 per cent of zinc is used for galvanizing. The steel industry has bright prospects with demand drivers being the construction industry and exports. Other sources for demand would be die-casting, guard rails for highways and imported-substituted zinc alloys.

Global Scenario

Substitutes: Aluminum, steel, and plastics substitute for galvanized sheet. Aluminum, plastics, and magnesium are major competitors as diecasting materials. Plastic coatings, paint, and cadmium and aluminum alloy coatings replace zinc for corrosion protection; aluminum alloys are used in place of brass. Many elements are substitutes for zinc in chemical, electronic, and pigment uses.

Factors Influencing Zinc Market

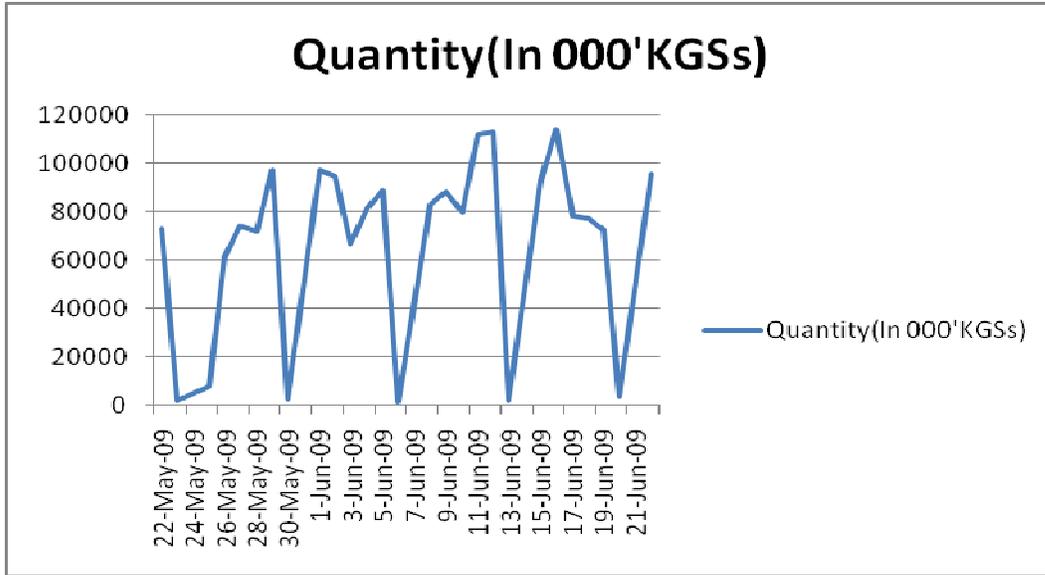
- Changes in inventory level at LME warehouses.
- Economic growth rate of major consuming countries.
- Global growth and demand in major consuming industries.
- Prices of the alternative metal(s).
- Participation of funds.

Factor influencing demand and supply

London Metal Exchange

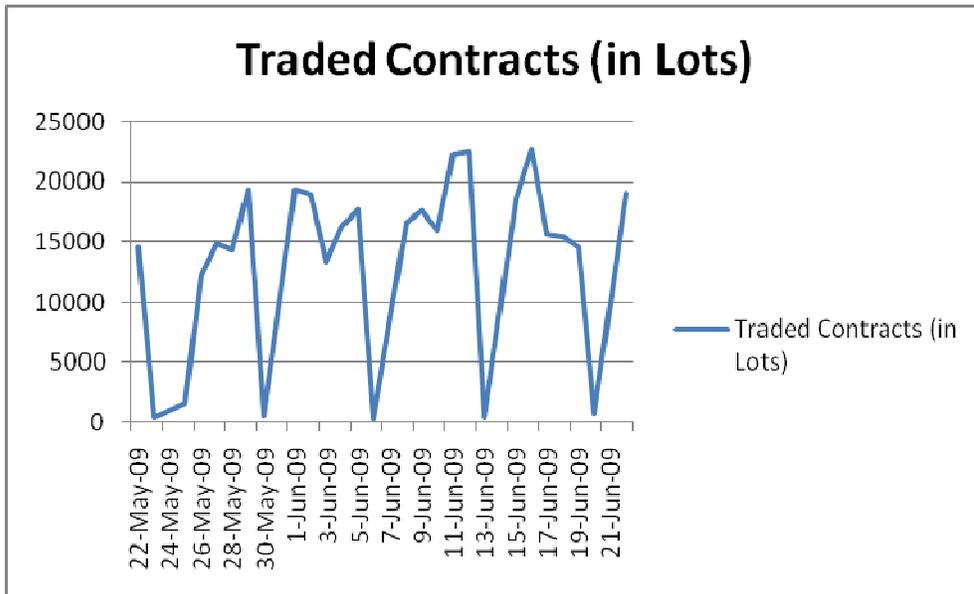
TRADED VOLUME FOR THE PERIOD

PERFORMANCE EVALUATION OF SELECTED COMMODITIES



Here are the changes of the quantity traded of Zinc over a period of 1 month. It starts from 72890000 kgs and there are so many fluctuations in this, after all, at the end of our selected period, it ends at the same level of 95295000 kgs. During this period, it touches the highest trading volume. ie on 11th June it reached a level of 111850 kgs

TRADED CONTRACTS FOR THR PERIOD

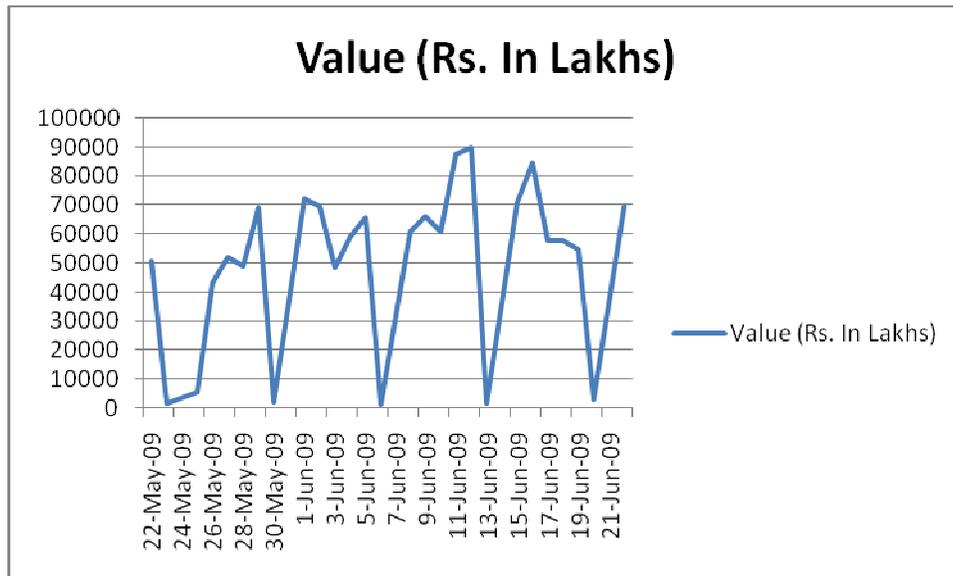


It illustrated here the volume of traded contracts of Zinc over a period of 1 month. It starts from 14578lots and there are so many fluctuations in this,

PERFORMANCE EVALUATION OF SELECTED COMMODITIES

after all, at the end of our selected period, it reaches at a level of 19059 lots.
During this period, it goes through a highest trading volume of contracts. ie.
On 16th June it reached a level of 22783lots traded contract.

VALUE TRADED



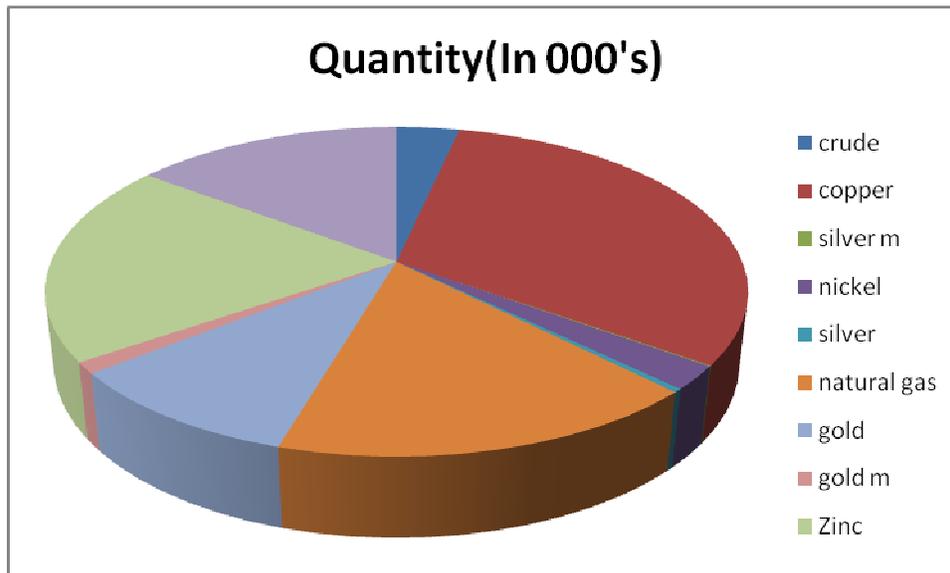
The above illustrated is the value of Zinc traded in the MCX over a period of one month. On 22nd may 2009 it starts from the value of Rs. 50672.97 lakh and it reached a level of Rs. 69434.25 Lakh on the end of the period. It reached a highest level of 89780.57 on June 15th.

On the basis of the above analysis, the 10 commodities are arranged in a table on the basis of the quantity traded, contracts traded and their value.

PERFORMANCE EVALUATION OF SELECTED COMMODITIES

VOLUME TOPPERS

Commodity	Quantity(In 000's)	unit
Copper	2898367	KGS
Zinc	1829675	KGS
Natural gas	1558799	MMBTU
Lead	1358140	KGS
Gold	898537	GRMS
Crude	317170.6	BBL
Nickel	211940.8	KGS
Gold m	100574.3	GRMS
Silver	31764.42	KGS
Silver m	7623.88	KGS

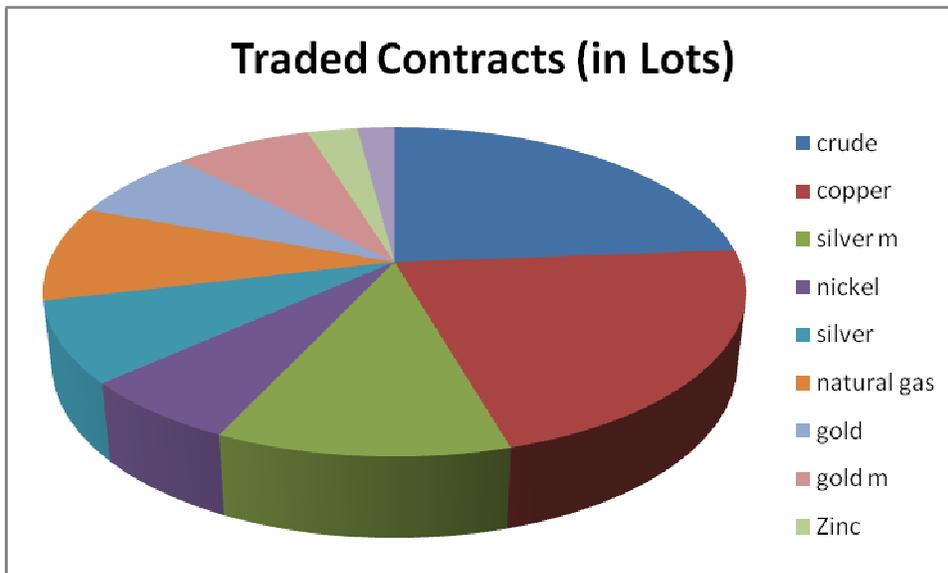


TRADED CONTRACTS

Commodity	Traded Contracts (in	unit
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PERFORMANCE EVALUATION OF SELECTED COMMODITIES

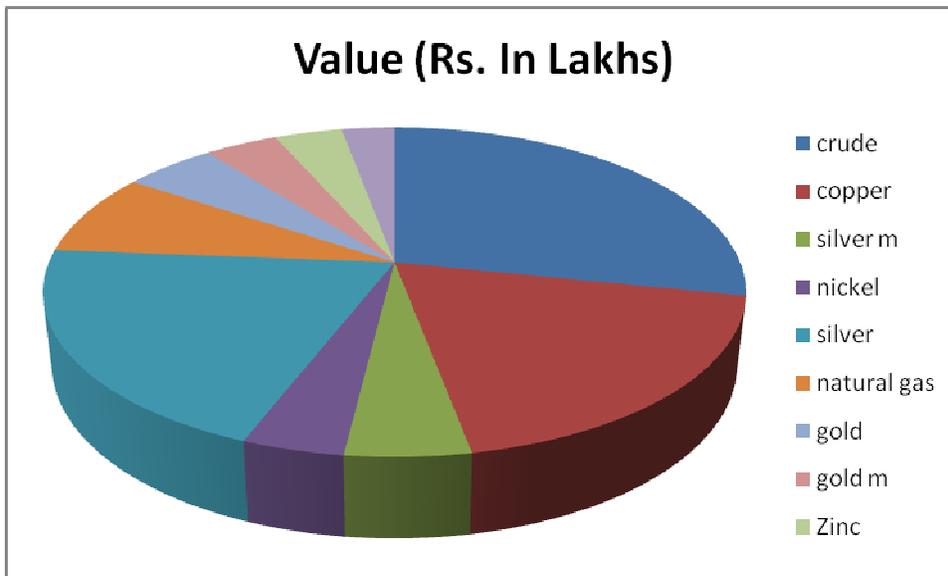
	Lots)	
Crude	3171706	BBL
Copper	2898367	KGS
Silver m	1524776	KGS
Natural gas	1247039	GRMS
Silver	1058814	MMBTU
Gold m	1005743	KGS
Gold	941466	GRMS
Nickel	847763	KGS
Zinc	365935	KGS
Lead	271628	KGS



VALUE TOPPERS

PERFORMANCE EVALUATION OF SELECTED COMMODITIES

Commodity	Value (Rs. In Lakhs)	unit
Crude	10322455	BBL
Silver	7432827	MMBTU
Copper	6877377	KGS
Natural gas	2962542	GRMS
Gold	1840003	GRMS
Silver m	1784300	KGS
Gold m	1473280	KGS
Nickel	1455328	KGS
Zinc	1352896	KGS
Lead	1056659	KGS



CHAPTER V

SUMMARY FINDINGS AND CONCLUSION

5.1 SUMMARY

In this study I have collected the changes of volume in trading, traded contracts and traded volume of 10 commodities that are traded in the MCX over the period May 22-

PERFORMANCE EVALUATION OF SELECTED COMMODITIES

June 22. And based on the data, I have analyzed each commodities traded quantity, traded contracts and traded value separately.

SWOT ANALYSIS

5.2 SWOT ANALYSIS OF GEOJIT COMTRADE

STRENGTHS

- GEOJIT is the member of NSE, BSE, NSDL, CDSL, MCX AND NCDEX.
- Company has strong research team, which helps the company's client to get better and accurate information without much delay.
- Company enjoys efficient risk management system.
- GEOJIT provides high quality client service
- Very strong IT setup with huge investment to provide best, standard and effective system for smooth functioning of operation.
- Flexibility and adaptability to the dynamic needs of the market.
- GEOJIT is innovative in product and services.
- Geojit provides a Call & Trade facility to its customers wherein they can place and track their orders through dedicated Call Centre Desk by dialing the toll free number 1800-425-5501.
- They provide daily SMS alerts, market pointers, periodical research reports, stock recommendations etc.
- The online trading system allows customers to track the markets by setting up their own market watch, receiving research tips, stock alerts, real-time charts and news and many more features make the customer to take informed decisions.

WEAKNESS

PERFORMANCE EVALUATION OF SELECTED COMMODITIES

- In online trading sometimes because of bandwidth connectivity, delay comes. So it can be frustrating.

OPPORTUNITIES

- As the Indian commodity market is growing with a great speed; there is a big opportunity to the company to expand its business to a greater extent.
- As per a study In India, only 30% of total population knows about, commodity market so the number of untapped customer is very large.

THREATS

- Cutthroat competition prevails in the market. There are already more than 30 Broking Firms working in the industry from the last five years.
- Threat of losing the customer because other companies are offering lower brokerage and thereby making the client of this company to switch over to wards them.

5.3 FINDINGS

On the basis of the study for a period of 1 month from 22nd may to 22nd June, it is find out that among the 10 commodities selected:

- Copper is the top traded commodity for the period on the basis of quantity. ie 2898367 kgs (in 000's).
- Crude oil is the top traded contract. ie 3171706 lots.
- Crude oil again leads as top on the basis of value. ie, Rs.10322455 lakhs.

5.4 CONCLUSION

Copper is the most traded commodity on the basis of traded quantity in the period of one month starts from 22nd May 2009 to 22nd June 2009., ie 31.5%. Zinc is the second

PERFORMANCE EVALUATION OF SELECTED COMMODITIES

traded commodity ie 19.8% and it followed by Natural gas, Lead, Gold, Crude oil, Nickel, Gold M, Silver and Silver M (0.082%) respectively.

On the contract traded basis, crude is the topper ie. 23.8% and it followed by copper, Silver M, Natural gas, Silver, Gold M, Gold, Nickel, Zinc and Lead(2.04%) respectively. Crude is the topper on the basis of the value, in the period its traded value was

Rs.10322455 lakhs and it followed by Silver, Copper, natural gas, Gold, Silver M, gold M, Nickel, Zinc and Lead.

The SWOT analysis of the Geojit COMtrade Ltd shows that the company is in a good position. Company has strong research team, which helps the company's client to get better and accurate information without much delay. As the Indian commodity market is growing with a great speed; there is a big opportunity to the company to expand its business to a greater extent.

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