THE STUDY ON COMMODITY TRADING ANALYSIS AND INVESTOR'S PERCEPTION

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CHAPTER 1: INTRODUCTION

1.1 INDUSTRY PROFILE:

1.1.1 History of Commodity Trading

Commodity trading is as old as human civilization and one of the earliest economic pursuits of mankind. Over the centuries, commodity trading has evolved from the barter system to spot markets to derivatives markets. In barter system, goods were exchanged between two parties with matching and opposite needs (for example, bags of wheat were exchanged for cattle). Over a period oftime, commodities brought from distant places were exchanged for gold and silver. With the introduction of Money as a medium of exchange, there was a paradigm shift in commodity trading with the value of commodity beingexpressed in monetary terms and trading in commodities was conducted mainlythrough the medium of currency.

Commodity spot markets evolved in many places and the counterparties met at these common places where goods were brought for immediate sale and delivery at the market price decided by the demand and supply forces.

In commodity spot markets, traders sell goods such as rice for immediate delivery against cash. At some stage, counterparties started entering into agreements to deliver commodities (e.g.: wheat) at a specified time in future ata price agreed today.

These forward contracts, more often than not, were not honored by either of the contracting parties due to price changes and market conditions. A seller pulled out of the contract if the spot price was more profitable for him than thecontracted price. A buyer also backed out from executing the contract on maturity if he was able to get the commodity at a cheaper price from the spot market. Futures emerged as an alternative financial product to address

these concerns of counterparty default, as the Exchange guaranteed the performance of the contract in case of the Futures.

The contracts of commodities being traded gradually got 'standardized' in termsof quantity and quality over a period of time. The contracts also began to changehands before the delivery date. For instance, if the buyer of a wheat contract decides that he does not want the wheat, he would sell the contract to someone who needed it. Also, if the farmer didn't want to deliver his wheat, he could pass on his contractual obligation to another farmer. The price of the contract would increase or decrease depending on what was happening in the wheat market.

Gradually, even those individuals who had no intention of ever buying or sellingwheat began trading in the futures contracts expecting to make some profits by betting on their expectations. They were called speculators. The hedgers (in this case, the producers of the commodity or farmers) began to efficiently transfer their market risk of holding physical commodity to these speculators by trading at the futures exchanges.

History of commodities trading in India dates back to several centuries. Forward trading in animal, agricultural produce and metals are believed to have existed in ancient India and references to such markets appear in Kautilya's 'Arthasastra'. Terms relating to commerce such as *'Teji', 'Mandi', 'Gali'* and *'Phatak'* have been coined and freely used as early as 320 B.C. However, organized trading in commodity derivatives started in India in 1875 by the Bombay Cotton Trade Association Limited with cotton as the underlying commodity. A few years later, Guajrati Vyapari Mandali was set up, which started trading in castor seed, groundnuts and cotton. In the year 1919, the Calcutta Hessian Exchange was setup which started trading in raw jute and jute goods. Subsequently, many other commodity derivatives trading centers emerged across the country in places such as Hapur, Amritsar, Bhatinda, Rajkot, Jaipur, Delhi, etc. Due to reasons such as speculation, hoarding, wars and

natural disasters, several controls were placed on trading of certain commoditiesfrom time to time.

- With an aim to restrict speculative activity in cotton market, the Government of Bombay issued an Ordinance in September 1939 prohibiting options trading in cotton which was later replaced by the Bombay Options in Cotton Prohibition Act, 1939.
- In 1943, the Defence of India Act was passed for the purpose ofprohibiting forward trading in some commodities (spices, vegetable oils,sugar, cloth, etc.) and regulating such trading in others on all India basis.These orders were retained with necessary modifications in the Essential Supplies Temporary Powers Act 1946.
- After Independence, The Parliament passed the Forward Contracts Regulation Act in 1952 to regulate the forward contracts in commoditiesacross the country.
- The Forward Contracts Regulation Act (FCRA) 1952 was repealed and regulation of commodity derivatives market was shifted to the Securities and Exchange Board of India (SEBI) under Securities Contracts Regulation Act (SCRA) 1956 with effect from 28th September, 2015.

1.1.2 Evolution of Commodity Exchanges

Commodity futures trading first started in Japan and the first known organized futures market was the Osaka Rice Exchange set up in 1730. In the 17th century, Osaka emerged as the major trading center for rice in Japan. At that time, rice played an important role in the economy as rice was the main agricultural commodity. Rice from all over the country was sent to Osaka and stored there. It was sold by way of auctions and once deals were done; the sellers issued a certificate of title in exchange for money. The certificates were called rice bills. In the early stage, the rice bills were issued upon making a good-faith deposit which was directly and fully paid after the auction and with delivery of rice

within a short period. Merchants could hold the bills or could sell themexpecting to make a quick profit within the defined period. However, as the market developed the deposits shrank and the delivery dates extended. The ricebills represented the right to take up delivery of an agreed quantity of rice at a future date but at the current price. This was the precursor to futures.

The Chicago Board of Trade (CBOT) in USA and the London Metal Exchange(LME) in UK successfully launched their operations in 1848 and 1877, respectively. Many more exchanges were created in the next few decades, in different countries of the world such as Argentina, China, Egypt, Russia, Hungary, Turkey and India. After the 1990s, with market liberalization and explosive growth in information technology, commodity exchanges startedmushrooming around the world. Major commodity exchanges around the worldare listed in Table 1.

Table 1: Major Commodity Exchanges in World

Exchange	Location	Product Traded
ABX Global	Brisbane, Australia	Precious Metals
Africa Mercantile Exchange	Nairobi, Kenya	Agricultural, Energy
Australian Securities Exchange	Sydney, Australia	Agricultural, Energy,Interest Rate Future
Brazilian Mercantile and Futures Exchange	Sao Paulo, Brazil	Agricultural, Biofuels, Precious Metals
Bursa Malaysia	Malaysia	Biofuels
Chicago Board ofTrade (CME Group)	Chicago, United States	Grains, Ethanol, Treasuries, EquityIndex, Metals
Chicago Mercantile Exchange (CME Group)	Chicago, United States	Meats, Currencies, Eurodollars, Equity Index

London Metal Exchange	London, UK	Industrial Metals, Plastics
Multi Commodity Exchange	India	Precious Metals, Base Metals, Energy, Agricultural
National Commodity and Derivatives Exchange	India	Precious Metals, Base Metals, Energy, Agricultural
New York Mercantile Exchange (CME Group)	New York, UnitedStates	Energy, Precious Metals, Industrial Metals
Tokyo Commodity Exchange	Tokyo, Japan	Energy, Precious Metals, Industrial Metals, Agricultural
U.S. Futures Exchange	Chicago, United States	Energy

1.1.3 Major Commodity Exchanges in India

1) Multi Commodity Exchange of India Ltd (**MCX**) is a commodity exchange based in India. It was established in 2003 by the Government of India and is currently based in Mumbai. It is India's largest commodity derivatives exchange. The average daily turnover of commodity futures contracts increased by 26% to ₹32,424 crore during FY2019-20, as against ₹25,648 crore in FY2018-19. The total turnover of commodity futures traded on the Exchange stood at ₹83.98 lakh crore in FY2019-20. MCX offers options trading ingold and futures trading in non-ferrous metals, bullion, energy, and a number of agricultural commodities (Mentha oil, cardamom, crude palm oil, cotton, and others). MCX was among the top global commodity exchanges in terms of the number of futures contracts trade,the latest yearly data from Futures Industry Association (FIA) showed.

Commodities traded include –

- Metal - Aluminium, Copper, Lead, Nickel, Zinc
- Bullion - Gold, Gold Mini, Gold Guinea, Gold Petal, Gold Petal, Gold Global, Silver, Silver Mini, Silver Micro, Silver 1000.
- Agro Commodities - Cardamom, Cotton, Crude Palm Oil, Kapas, Mentha Oil, Castor seed, RBD Palmolien, Black Pepper.
- Energy - Crude Oil, Natural Gas.

2) National Commodity & Derivatives Exchange Limited (**NCDEX**) isan Indian online commodity and derivative exchange based in India. It is under the ownership of Ministry of Finance, Government of India. It has an independent board of directors and provides a commodity exchange platform for market participants to trade in commodity derivatives. It is a government company, incorporated on 23 April 2003 under the Companies Act, 1956 and obtained its Certificate for Commencement of Business on 9 May 2003. It commenced operations on 15 December 2003 Commodities traded include –

- Cereals and Pulses: Barley, Chana, Wheat, Moong, Paddy(Basmati), Bajra, Maize Feed Industrial Grade
- Fibres: Kapas, 29 mm Cotton
- Guar Complex: Guar seed, Guar Gum
- Oil and Oil seeds: Castor seed, Cotton seed oilcake, Soy Bean,Refined soy oil, Mustard seed, Crude Palm Oil
- Soft Spices: Turmeric, Jeera, Coriander

1.1.4 Commodity Markets Ecosystem

Commodity ecosystems comprise of various entities providing services for thesmooth flow of goods from the producer to the ultimate consumer. These entities provide services such as transport, insurance, grading, storage and warehousing, banking, etc. These commodity ecosystem players play a major

role in ensuring smooth transfer of ownership and delivery from sellers to buyers. The role of various entities in the commodities market ecosystem is discussed below:

- **Warehouse Service Provider** facilitates storage and issues warehouse receipts (WR) against the stored commodity stock which can then be traded in the commodity markets. Warehouse receipt is a receipt of goods or material kept for safekeeping in an exchange recognizedwarehouse. It is a document of title to commodities issued by a warehouse to the depositor against the commodities deposited by him intheir warehouse. This document can be transferred by endorsement or delivery. The original depositor or the holder in due course can claim the commodities from the warehouse by producing the warehouse receipt.
- **Transport Company** helps movement of goods from the production centre to the consumption centre.
- **Quality Testing Companies** help grading and standardization of commodities certifying the required quality for trading on commodity exchanges**.**
- **Broker** sells the produce on behalf of one party or buys on behalf of other party on the exchange. Broker is the entity which intermediates between the buyer and the seller.
- **Exchange** provides a platform for trading in commodities or commodityderivatives.
- **Clearing Corporation** Clearing Corporation's main role is to carry out clearing and settlement of the trades executed on the Exchange platform. The entity which guarantees settlement is 'Clearing Corporation'. SEBI had mandated to have settlement of Exchange trades through a clearing corporation, whether under the same sponsor or outsourced to another clearing corporation.
- **Bank** provides loan or advance against goods.

- **Depository** enables holding of stock in dematerialized form for easy tradability.
- **Custodial Services/Repositories** WDRA has recognized National e- Repository Limited (NERL) and Central Depository Services (India) Limited (CDSL) as approved Repositories for electronically maintaining records of warehoused goods which can also be used for clearing and settlement of trades on exchanges.

1.1.5 Factors Impacting the Commodity Prices

- **Demand and Supply Equation:** The demand for and supply of a commodity are the two basic factors that influence its price. The higher the demand for a commodity, the dearer is its price and higher the supply of a commodity vis-à-vis demand, the cheaper would be its price, other factors remaining the same.
- **Seasonality:** Most commodities follow a certain schedule of production cycle, which impacts the price trend. For example, in agricultural commodities, during the harvesting season, due to an increased supply, prices tend to come down; whereas during the sowing season, the overall supply (availability) remains lower, which leads to an increase in prices. In precious metals like gold and silver, during the festival season,
increased demand helps prices to remain stronger.
- **News:** Commodity prices are very sensitive to news and rumors and any important news related to a particular commodity can significantly affect its price in either direction in the short term.
- **Geo-political developments:** Commodities that have a global demand (e.g., crude oil) are prone to price fluctuations due to political tensions in some parts of the globe and these may lead to disruptions in supply. For example, tensions in the Middle East region may affect prices of crude oil due to potential disturbances to production and/or to supply

chains. As we have seen recently, tensions between Russia and Ukrainealso have inflated prices of natural gas and oil.

- **Macroeconomic conditions**: The domestic and global macroeconomic conditions can have an impact on commodity prices. The GDP growth rate, consumption pattern, per capita income, industrial production, employment rate, inflation rate, etc. are very important factors in deciding the price trend of a commodity both in the short term as well as in the long term.
- **Interest rates:** Interest rates also impact the commodity prices and are the key determinants in commodity price movements. The effect of interest rate on commodity prices is almost instantaneous. High interest rates could reduce the market prices of commodities. A decrease in real interest rates has the opposite effect, lowering the cost of carrying inventories, and raising commodity prices. Lower interest rates decrease the incentive to extract mine-based commodities, increase the incentivesto maintain inventories, and stimulate the demand for commodity derivatives, all of which raise the prices of basic commodities.
- **Foreign Exchange rates:** Increase in domestic currency value makes imports cheaper as it reduces the INR prices of internationally traded commodities. On the other hand, a depreciating domestic currency makes imports costlier as it increases the INR prices of internationally traded commodities. The same is reflected in Futures prices also.
- **Other factors**: Weather is an important factor that impacts the production of agricultural commodities. The stock (inventory level) of certain commodities after a season is a significant factor for the price movement of that commodity. The government's intervention in different ways (through implementation of a rule, program me, etc.) is another important factor that affects commodity price. Covid-19 like situations and lock-downs also change the demand - supply dynamics.

1.2 INTRODUCTION TO THE TOPIC

1.2.1 Commodity Trading Online

Online commodity trading allows you to invest in precious metals and everydayessentials and make money every time their price increases or decreases. Whilelong trades help you benefit from an increase in prices, short-sell trades let yousell high and buy low. Online commodity trading is a convenient way of hedging against inflation and geopolitical events. It also allows investors to diversify their investments and reduce the risks of capital loss. The commoditymarket generally goes against the capital market. For example, when inflation rises or the GDP falls, shares of companies might go southwards, but commodities might show unprecedented strength.

Here is a laydown of the steps you need to follow to invest in the commodity market.

1) Pick a Commodity Broker: Earlier, commodity trading was very complicated, prompting retail investors to stay away from the commodity market. But, thanks to the Securities and Exchange Board of India (SEBI), investors can now indulge in online commodity trading without any hassles. Brokers are classified into two categories - full- service brokers and discount brokers. Full-service brokers have many brick-and-mortar branches across the country, and they often charge higher fees due to higher establishment costs. Discount brokers follow a lean model and mainly operate online. Hence, they usually charge lowerfees and may offer higher benefits. Before choosing the broker, it is wiseto evaluate the costs and services. Moreover, you must read some reviews about the broker to make the right choice.

2) Open a Demat and Trading Account: Once you have finalized the broker, it is time to open a Demat and Trading account. Demat and trading accounts are mandatory for trading in the commodity market. Ifyou are considering opening a Demat and trading account, you need to submit your PAN card, Aadhar card, age proof, income proof, and bank

account statement. Brokers allow online uploading of documents and send the account information to your registered email address within one business day. However, your application will be subject to detailed scrutiny to evaluate your eligibility. Since online commodity trading is mostly leverage-based, checking the investor's income status is crucial for the broker to minimize risks.

3) Make The Initial Deposit: Once the broker sends you the account details, you need to make an initial deposit. Try depositing about 10% of the contract value of the commodity you wish to trade, along with a maintenance margin. For example, if the margin money for trading a commodity is INR 40,000, you need to make a deposit of INR 4,000 plus the maintenance margin. The maintenance margin is essential to compensate for any losses should the market goes against the perceiveddirection.

1.2.2 Ways to Make Maximum Profit from Commodity Trading

- **Understand The Market Cycle:** Commodities generally follow a cycle to increase and decrease. Take any commodity, and you can find that theprice frequently increases and decreases. Expert traders ride these price swings to make money from the commodity market. Most commodities follow a cyclical pattern. For example, when the demand for a commodity shoots up, the manufacturer's capital expenditure increases. When the capital expenditure increases, the company increases the commodity's price. And, when the commodity's price increases, peoplebuy less, which results in less demand for the commodity. When the demand dries up, the company reduces the capital expenditure and the commodity's price decreases. It is crucial as an investor for you to understand the cyclical nature of the commodity you are trading and place the trades at reasonable prices.

- **Respect Volatility:** If you are investing in commodities for the first time, the volatility or wild price swings might make you nervous. The problem increases when you trade on excessive leverage. Since commodity brokers often provide leverage of up to 16 times, any losses may quickly magnify themselves into an outrageous figure. Hence, before learning how to trade in commodities, you must observe how commodities move and find their price range. A quick scan of the top commodities suggests that agricultural commodities and metals like copper are more volatile than gold or crude oil commodities. So, if you are a beginner, a wise step would be to trade in less volatile commodities before moving to highly volatile commodities.

1.2.3 Working of Commodity Trading

The stock markets in India offer several choices when it comes to investing in stocks. If you are looking for a more stable investment option, then commoditymarkets in India are an excellent option for you. The exchange providedinformation about the current bids and offered prices of the given commodity for sale. This information is obtained from the dealers who post these bids and offers. The commodity market in India has three main segments that include:

- Stock exchanges provide a platform for buyers and sellers of commodities to meet. These exchanges will maintain a list of commodities, which they add to regularly according to demand and supply patterns. You can trade these commodities through the exchangeor from your broker's office, or online from the comfort of your home.
- Brokers are also active participants in the commodity market in India. They take care of all transactions between buyers and sellers at the riskof their capital under an agreement with their clients called 'contracts.'
- Commodities are also traded through forward contracts between farmers and exporters/importers who want to hedge against price fluctuations.

1.2.4 Finding your Trading Style

- **Position Traders:** Position traders hold the trades over a longer time frame, waiting for weeks to months before closing open trades. They'remore interested in commodity sustained performance and less on short-term price fluctuations. Demand and supply analysis is their maintrading strategy.
- **Swing Traders:** Swing traders hold positions over the short or mediumterm, anywhere from overnight to several days. The goal is to capture aswing or single move in commodity market. It's vital for the swing trader to learn technical concepts such as moving average, candlestick patterns and support and resistance.
- **Day Traders:** As the name suggests, trade on the daily basis and will close all positions at the end of every trading day. Day trader goal is to capture the intraday volatility, using a variety of techniques and strategies. Profits can be made from buying at support and selling at resistance.
- **Scalpers:** Scalpers hold positions anywhere from one minute to one day. The goal is to make small gains at the busiest times, which involves high-frequency trading throughout the day.

1.2.5 Spot and Derivatives Trading in Commodities

Commodities can be traded in both the spot market as well as the derivatives(forward and futures) market.1 Although the two markets are different in termsof time of delivery and other terms of trade, they are inter-related. Thecommodities are physically bought or sold on a negotiated basis in the spot market, where immediate delivery takes place. The physical markets forcommodities deal in cash (spot) transactions for ready delivery and payment. There are two main types of commodities that trade in the spot and derivativesmarkets:

- **Soft commodities**: These are the perishable agricultural products suchas corn, wheat, coffee, cocoa, sugar, soybean, etc.
- **Hard commodities**: These are natural resources that are mined orprocessed such as the crude oil, gold, silver, etc.

Spot Market

Spot market is a place where commodity is traded and the transfer of ownershiptakes place immediately. This concept is also termed as "ready delivery contract" under which payment and delivery of good happens immediately. There are two variants of spot market: physical spot market and electronic spot market.

Derivatives Market

"Derivatives" are financial instruments, the price of which is directly dependent on or derived from the value of one or more underlying securities such as equityindices, debt instruments, commodities, weather, etc. It is contract between a buyer and a seller, entered into at a point of time, regarding a transaction to be settled / closed at a future point in time. Derivatives provide risk protection with minimal upfront investment. They allow investor to trade on future priceexpectations and have very low total transaction costs compared to investing directly in the underlying asset. Derivatives are either traded on an exchange platform, or bilaterally between counterparties, with the latter known as the overthe counter (OTC) market. OTC derivatives are created by an agreementbetween two specific counterparties.

Derivatives Instruments

1) Forwards

A forward contract is a legally enforceable agreement for delivery of goods or the underlying asset on a specific date in future at a price agreed on the date of contract. Forward contracts can be customized to accommodate any commodity, in any quantity, for delivery at any point in the future, at any place. These contracts are traded on the OTC markets. In a forward contract:

- The terms of the contract are tailored to suit the needs of the buyer andthe seller.
- Generally, no money changes hands when the contract is first negotiatedand it is settled at maturity.
- Both parties are obliged to fulfill their contractual terms.
- Most of the contracts are held till the expiry date and the contracts can be cancelled only on mutual consent of both the parties as it is a bi- partite agreement.

2) Futures

A futures contract is a legally binding agreement between the buyer and the seller, entered on an exchange, to buy or sell a specified amount of an asset, at a certain time in the future, for a price that is agreed today. The buyer enters into an obligation to buy, and the seller is obliged to sell, on a specific date. Futures are standardized in terms of size, quantity, grade and time, so that eachcontract traded on the exchange has the same specifications. Therefore, a commodity futures contract is a standardized contract to buy or sell commodities for a particular price and for delivery on a certain date in the future.

3) Options

Option is one more derivative product which provides additional flexibility in managing price risk. Options contracts can be either standardized or customized. There are two types of option contracts

4) Call options and **Put options**.

Call option contracts give the purchaser the right to buy a specified quantity ofa commodity or financial asset at a particular price (the exercise price) on or before a certain future date (the expiration date).

Put option contracts give the buyer the right to sell a specified quantity of an asset at a particular price on or before a certain future date.

In an options transaction, the purchaser pays the seller (the writer of the option),an amount for the right to buy (in case of "call" options) or for the right to sell (in case of "put" options). This amount is known as the "**Option Premium**".

5) Swaps

Swaps are agreements between two counterparties to exchange a series of cash payments for a stated period of time. The periodic payments can be charged onfixed or floating price, depending on the terms of the contract. One of the commonly used commodity swaps is "fixed-for-floating swaps". In a "fixed- for-floating commodity swap", one party known as the "fixed price payer" makes periodic payments based on a fixed price for a specified commodity thatis agreed upon at the execution of the swap, while the other party known as the"floating price payer" makes payments based on a floating price for such commodity that is reset periodically.

1.2.6 Major Commodities Traded in Derivative Exchange in India

Commodities that are traded on Indian exchanges can be grouped into four major categories: Bullion, Metals, Energy and Agriculture. An indicative list of commodities traded in the Indian derivatives exchanges are:

Bullion: Gold, Silver, Diamond

Metals: Aluminum, Brass, Copper, Lead, Nickel, Steel, Zinc

Energy: Crude Oil, Natural Gas

Agriculture: Barley, Chana, Maize, Wheat, Guar Seed, Guar Gum, Isabgul Seed, Pepper, Cardamom, Coriander, Jeera, Turmeric, Sugar, Copra, Rubber,

Jute, Cotton, Cotton Seed Oilcake, Castor Seed Oil, Mentha Oil, Soy Bean, SoyBean Oil, Refined Soy Oil, Degummed Soy Oil, Rape/Mustard Seed, Crude Palm Oil.

1.2.7 Participants in Commodity Derivative Markets

- **Hedgers**

Hedgers are generally commercial producers, processors, exporters and importers of traded commodities who participate in the commodity derivatives markets to manage their spot market price risk. As commodity prices are volatile, participation in the futures and options markets allow hedgers to protect themselves against the risk of losses from fluctuating prices.

- **Farmers**

who need protection against the declining prices of crops or against rising prices of inputs such as fuel used for diesel engine of a tractor.

- **Merchandisers**

who need protection against price changes between the time they purchase or contract to purchase the grains from the farmers and to the time they actually able to sell the grains in the market.

- **Food Processor**

who need protection against increasing raw material costs or against decreasing inventory levels (as low inventory may impact theirproduction operations).

- **Exporters**

who need protection against price increases for those goods on which they have export obligations but are yet to procure from the domestic market.

- **Importer**

who need protection against price drops in the domestic market for the goods on which they have import obligations (i.e., pre-agreed to importfrom their vendors in other markets).

- **Speculators**

Speculators are traders who speculate on the direction of future prices with the goal of making profit. Since speculators participate in the commodity derivatives markets for trading only and not as end users of the underlying commodity, they typically do not take physical delivery of commodities and instead liquidate their positions prior to or upon expiry of their futures and options contracts.

- **Arbitrageurs**

Arbitrageurs simultaneously buy and sell in two markets where their selling price in one market is higher than their buying price in another market by more than the transaction costs, resulting in riskless profit to the arbitrager. Arbitragers make riskless profit by exploiting the price differentials across markets or exchanges. In commodity derivatives, wemay see arbitrage play between Futures – Spot or within Futures when we see huge backwardation. However, arbitrage opportunities arise infrequently and also vanishes within a very short span of time.

CHAPTER 2 OBJECTIVES OF THE STUDY

CHAPTER 2: OBJECTIVES OF THE STUDY

2.1 Intention of the Study

Each research study has its own specific purpose. It is like to discover the question through the application of scientific procedure. But the main aim of our research is to find the truth that is hidden and which has not been discoveredyet.

Our research study has the following objectives like

- To know about the concept of commodity trading, depth about commodity derivative, spot, futures etc., awareness towards commodityexchange.
- To spread the beneficial use of commodity market for Importer and Exporter of goods.
- To aware clients about Hedging in commodity market.
- To aware client about different types of products in commodity market like Forward, Futures, Spot.
- To know about how they overcome their emotions in trading.
- To know about the different parties involved in the commodityderivative trading.
- To know about the role of hedgers, speculators and arbitragers incommodity market.
- To know about the risk level of the clients on individual basis.
- To know about the expected return level of clients in commodity market.
- To know about the type of commodity client's trade.
- To know about the frequency of their trade.
- To know about their experience in commodity trading.

CHAPTER 3 REVIEW OF LITERATURE

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3.1 Literature Review

Review of related literature serves as the base for any researcher to understandhis or her research problem clearly and to design the methodology by which thestudy is to be conducted. Various studies conducted earlier on the topics relatedto the current research problem are included in the literature. It gives an idea for the researcher to determine the research problem and to frame the objectives. Italso enables the researcher for the smooth conduct of the present study. The literature includes book, journals, magazines, Ph.D. thesis, reports etc.

Shroff (1950) referred the Government of India draft bill on introduction of forward trading in India and recommended the introduction of forward trading helps in hedging, price stabilization, reducing the speculation.

Kamara (1982) analysed the impact of introduction of commodity futures by comparing the spot market volatility before and after introduction of commodityfutures and found no significant change.

Kabra Committee Report (1993) advised to strengthen the Forward Market Commission (FMC) and Forward Contract Act, 1952 by means of improving infrastructure, telecommunication, functioning of the exchanges, adequate norms, automation of trading in exchanges, regulation to designing and trading of futures contracts, and establishing strong vigilance committee.

UNCTAD and World Bank Joint Mission Report (1996) highlighted the role of futures markets as market-based instruments for managing risks and suggested the strengthening of institutional capacity of the regulator. Further noted that Government intervention was pervasive in some sensitive major commodities like wheat, rice and sugar and was of the view that future marketsin these commodities were unlikely to be viable.

The **National Agricultural Policy, (2000)** recommended to liberalize the agriculture and allied sector, enhance the infrastructure and information

technology, the commodity exchanges have to launch futures contract on liquidcommodities in the market.

Singh (2000) analysed efficiency of Indian commodity futures, advised optimizing the futures markets to discover the prices and minimize risk. According to him, exchanges should be self-regulated to curb speculation. Government should minimize the intervention in pricing mechanism and shouldinitiate private participation.

Sahadevan (2002) surveyed the recognized exchanges and their organizational, trading and the regulatory set up for futures trading in commodities and revealedthat many of the commodity futures exchanges fail to provide an efficient hedgeagainst the risk emerging from volatile prices of many farm products in which they carry out futures trading.

Habibullah Committee (2003) advised the Government of India that the development of commodity derivatives market must be upheld by removal of obstruction on convergence between securities and commodity derivativesmarket on account of policies relating to cash market, which will impact demandand supply forces. The Government follows common policy applicable to all over India. The new policy framework should permit the introduction of the commodity futures indices contracts, spreads, weather, electricity and freight. It also recommended modifying the SEBI regulation to permit participation of mutual funds, Foreign Institutional Investor.

Chen and Firth (2004) analysed the relationship between return and trading volume of four commodity futures in China, by using correlation and Granger causality test. They found no correlation between return and volume, but signifythe causality from trading volume and return, vice versa. They, however, founda correlation between absolute return and trading volume.

Bir (2004) investigated hedging performance of agricultural commodity futures market in terms of price discovery and risk management. The factors responsible for inefficient hedging in commodities were found as low volume.

CHAPTER 4 RESEARCH METHODOLOGY

CHAPTER 4: RESEARCH METHODOLOGY

4.1 Meaning of Research

The word research is composed of two syllables **"Re"** and **"Search".**

"Re" is the prefix meaning 'Again or over again or a new' and "Search" is the latter meaning to 'examine closely and carefully' or 'to test and try'. Together they form, Search for knowledge

- Systematic and scientific search for getting relevant answers on any taken-up topic.
- Scientific enquiry into a subject.
- Research is a movement from the unknown to the known. It is the voyage of discovery.

According to Clifford Woody "Research comprises of

- Defining and redefining problems.
- Formulating hypothesis (basic idea)
- Collecting
- Organizing
- Evaluating data
- Making decisions
- Suggesting solutions
- Reaching conclusions
- Finally, carefully testing the conclusions.

4.2 Source of Data

There are two types of data:

1) Primary Data

2) Secondary Data

Research problem of general nature can be solved to a greater extent with the use of secondary data. But when research is undertaken on significant and

complex problems, primary data is needed. There are some objectives and typesinvolved in the collection of primary data.

1) Primary Data Objectives

4.3 Primary Data Objectives

The objectives of primary data are formulated on the basis of research objectives. The Objectives set the guidelines and directions of research planning. Formulating the objectives offers the best feasible means of solution.The findings of the research should be capable of being utilized for the better performance of the organisation. The cost-benefits analysis should be made fordetermining the objectives of the primary data collection.

The objectives should be precise, attainable and economic so that the findings may be accurate, reliable, valid and useful. Good measurements are reliable and valid. Reliability means avoidance of chance of error. Validity refers to purposive data. Competent researchers are aware of inaccurate and invalid dataand they try to avoid them. Data objectives are relevant and immediate objectives of the research process. They are concrete and workable. The presentsituations are appraised to frame future objectives. The type of data needed, sources of data and methods of data collection are decided on the basis of established objectives.

4.4 Research Design of The Study

This research is based on the primary as well as secondary data, however primary data collection was given more importance since it is overhearing factorin attitude studies. One of the most important users of the research methodology is that it helps in identifying the problem, collecting, analysing the required information data and providing an alternative solution to the problem. It also helps in collecting the vital information that is required by the top managementto assist them for the better decision making both day to day decision and criticalones.

4.5 Scope of the study

The study consists of analysis about investor Perception and experience about the commodity trading analysis. For the purpose of the study 100 customers were picked up at random and their views solicited on different parameters.

The methodology adopted includes:

- Questionnaire
- Random sample survey of customers
- Discussions with the concerned

4.6 Sampling Technique

- **Sampling:** Since Stock exchanges have different types of segments. I have selected Commodity trading analysis segment as per my research topic. 100% coverage was difficult within the limited period of time. Hence sampling survey method was adopted for the purpose of the study.
- **Population (Universe):** Customers and the non-customers trading commodity.
- **Sampling Size:** A sample of 100 was chosen for the purpose of the study. Sample consisted of investor as based on their Income andProfession as well as Educational Background.
- **Sampling Methods:** Probability sampling requires complete knowledge about all sampling units in the universe. Due to time constraint non-probability sampling was chosen for the study.
- **Sampling Procedure:** From the large number of customers and non- customers sample lot were randomly picked up by me.
- **Field Study:** Approached respondents by the following strategies:
- Tele-calling
- Personal Visits
- Clients References
- Promotional Activities

4.7 Limitation of the Study

- As only Panipat was dealt in the survey so it does not represent the viewof the total Indian market.
- The sample size was restricted with hundred respondents.
- There was lack of time on the part of respondents.
- The survey was carried through questionnaire and the questions werebased on perception.
- There may be biasness in information by market participants.
- Complete data was not available due to individuals' privacy and secrecy.Some people were not willing to disclose the investment profile.

CHAPTER 5 DATA ANALYSIS AND DATA INTERPRETATION

CHAPTER 5.1: DATA ANALYSIS

5.1.1 Meaning of Data Analysis

Data analysis is defined as a process of cleaning, transforming and modeling data to discover useful information for business decision-making. The purpose of Data Analysis is to extract useful information from data and taking the decision based on the data analysis.

A simple example of Data analysis is whenever we take any decision in our day-to-day life is by thinking about what happened last time or what will happen by choosing that particular decision. This is nothing but analyzing our past or future and making decisions based on it. For that, we gather memories of our past or dreams of our future. So that is nothing but data analysis. Now same thing analyst does for business purposes, it called Data Analysis.

5.1.2 Tools of Data Analysis

Questionnaire is the method of data collection, which is very much popular, particularly in big cities. Different modes of questions are put up on the paper and the particular universe, on which the research is conducted, are asked to fill their response.

The Secondary source includes data collection through:

- Magazines, Journals, Books, Newspapers etc.
- Company Website.

5.1.3 Data Analysis Using Questionnaire

For the better understanding of the report, I had taken the help of questionnaire analysis to understand the feedback of the respondent in a better way. I also have taken the use of tables to represent the questionnaire data in a tabular form and use of pie chart for the better understanding of the respondent response.

5.1.4 QUESTIONNAIRE FEEDBACK

Q1. Do you do Commodity Derivative Trading?

Table 2: Trade in Commodity Derivative Market

Feedback	No. of Respondent	Percentage of Respondent(N=100)
Yes	65	65%
No	35	35%

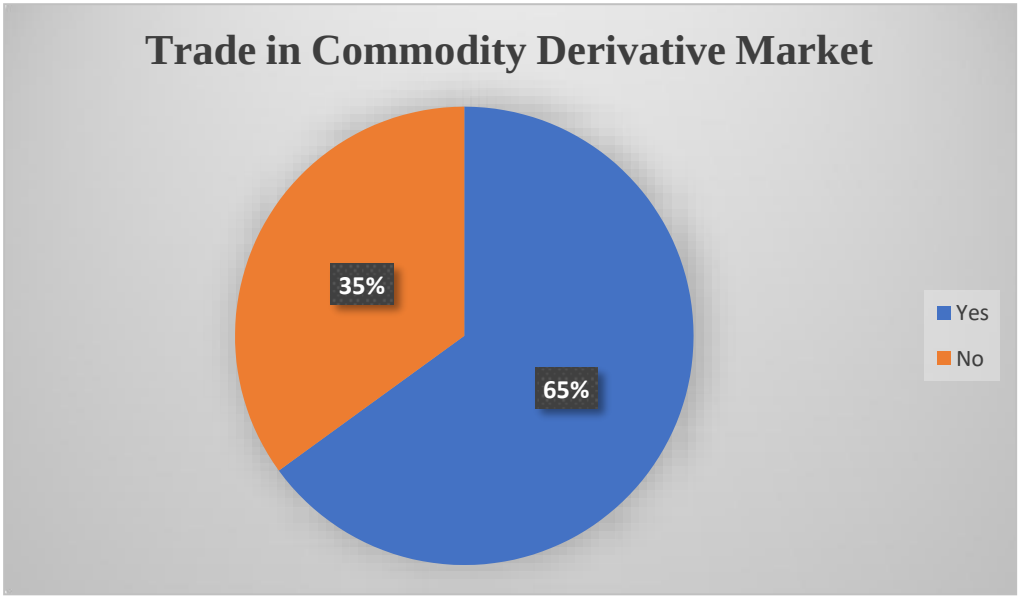

Diagram 1: Trade in Commodity Derivative MarketData Analysis

The above pie chart shows that 65% of the respondent's trade in commodityderivative market. 35% of the respondent do not invest in the commodity market.

Q2. Which type of commodity do you trade?

Table 3: Type of Commodity

Feedback	No. of Respondent	Percentage of Respondent(N=65)
Gold	27	41.53
Silver	15	23.07
Wheat	13	20
Rice	4	6.15
Maize	6	9.23

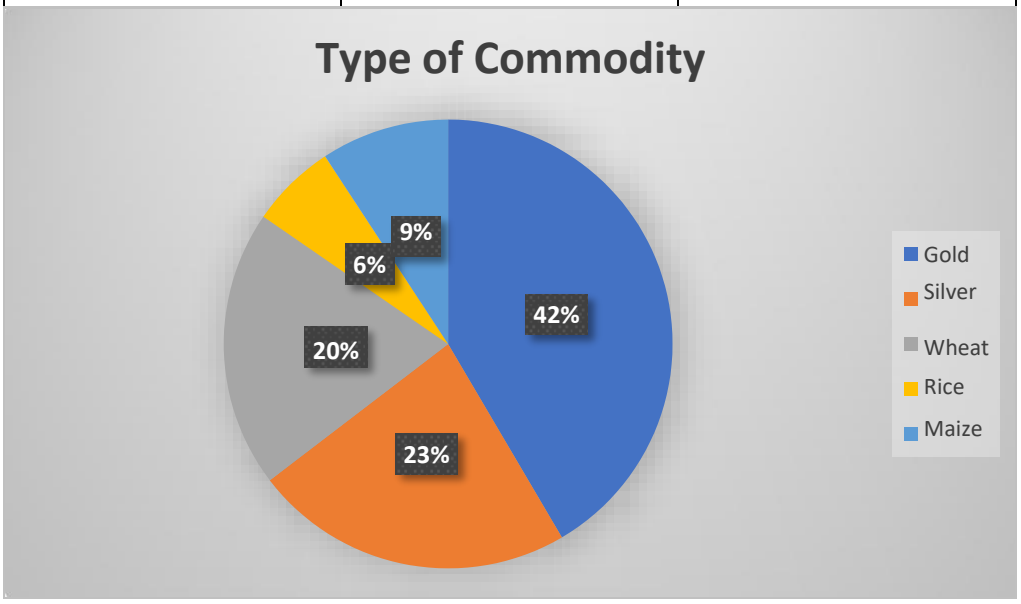

Diagram 2: Type of CommodityData Analysis

The above pie chart shows that 42% of respondent prefer gold, 23% of respondent prefer silver, 20% of respondent prefer wheat, 6% of respondent prefer rice, 9% of respondent prefer maize. So, we can say that gold and silverare the most trade commodity among respondent.

Q3. How frequently do you trade in Commodity Derivative Market?

Table 4: Frequency of Trading

Feedback	No. of Respondent	Percentage of Respondent(N=65)
Daily	30	46.15
Weekly	16	24.61
Monthly	19	29.23

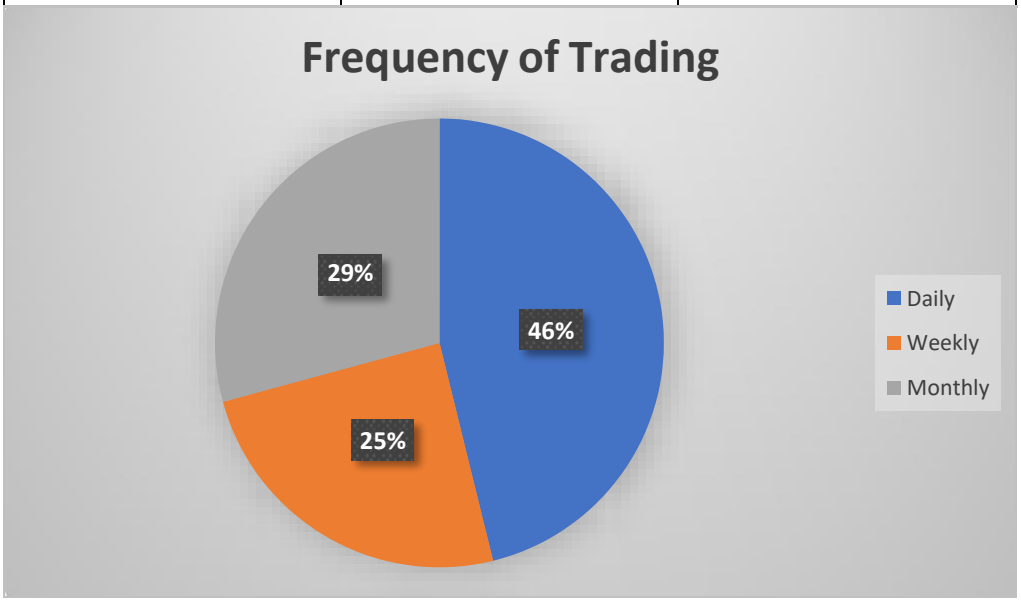

Diagram 3: Frequency of TradingData Analysis

The above pie chart shows that 46% of the respondent trade on daily basis, 25%of the respondent on weekly basis and 29% of the respondent on monthly basis.

Q4. Do you use Hedging while Trading Commodity derivative?

Table 5: Hedging while Trading

Feedback	No. of Respondent	Percentage of Respondent(N=65)
Yes	49	75.38
No	16	24.61

Diagram 4: Hedging while TradingData Analysis

The above pie chart shows that 75% of the respondent trade with their position Hedged and 25% of the respondent trade without using hedging strategy. So, onthe basis of above sentences we can say that 75% of respondent are hedgers andremaining 25% of respondent are speculators.

Q5. Which type of Commodity Derivative Trader you are?

Table 6: Type of Commodity Trader

Feedback	No. of Respondent	Percentage of Respondent(N=65)
Hedger	49	75.38
Speculator	10	15.38
Arbitrager	6	9.23

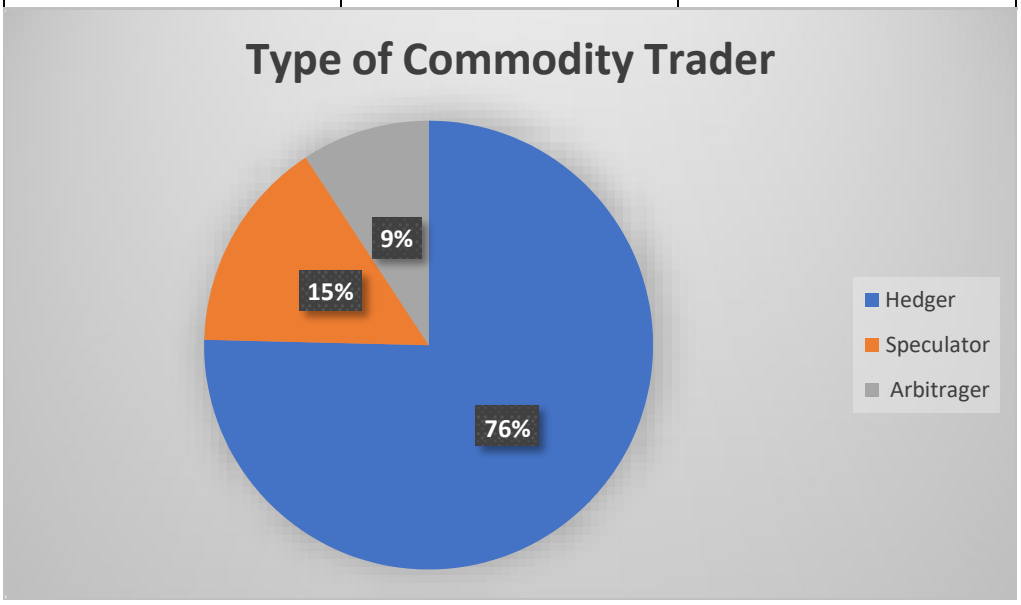

Diagram 5: Type of commodity traderData Analysis

The above pie chart shows that 76% of the respondent who trade are Hedger, 15% of the respondent who trade are Speculators and the remaining 9% of the respondents are Arbitrager.

Q6. What is your basic purpose of commodity derivative trading?

Table 7: Purpose of Commodity Trading

Feedback	No. of Respondent	Percentage of Respondent(N=65)
Return	10	15.38
Risk Covering	40	61.53
Income Generation	15	23.07

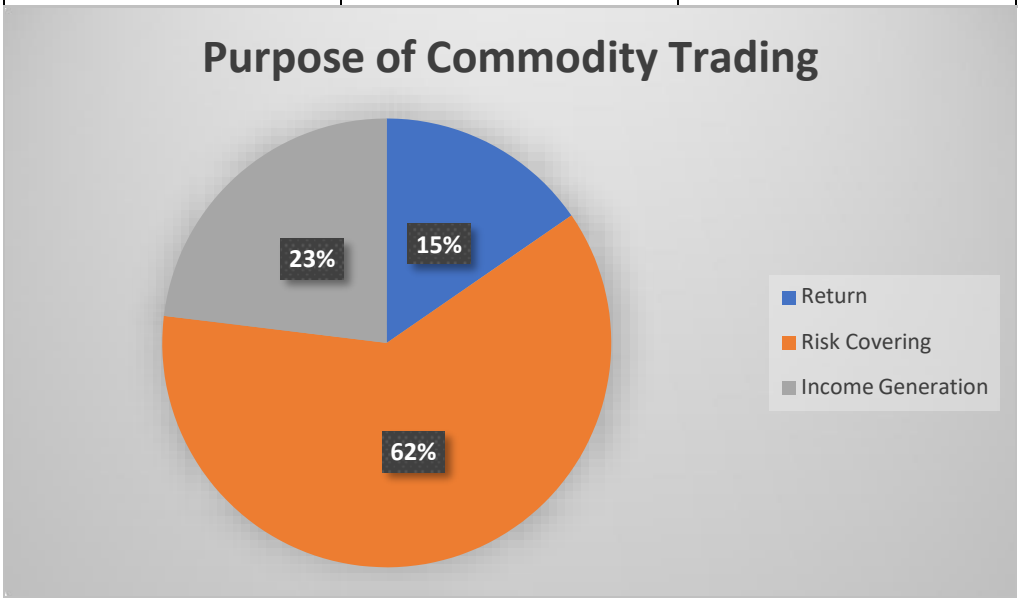

Diagram 6: Purpose of Commodity TradingData Analysis

The above pie chart show that 62% of the respondent purpose of trading commodity derivative is to cover their risk because they are in the business of Import/Export of goods. 23% of respondent do commodity trading for sole purpose of income generation and the remaining 15% of the respondent purposeis to earn return in small time.

Q7. How much return(approx.) you able to earn in a week while trading?

Table 8: Return in a week

Feedback	No. of Respondent	Percentage of Respondent(N=65)
Less than 3%	50	76.92
3% and more than 3%	15	23.07

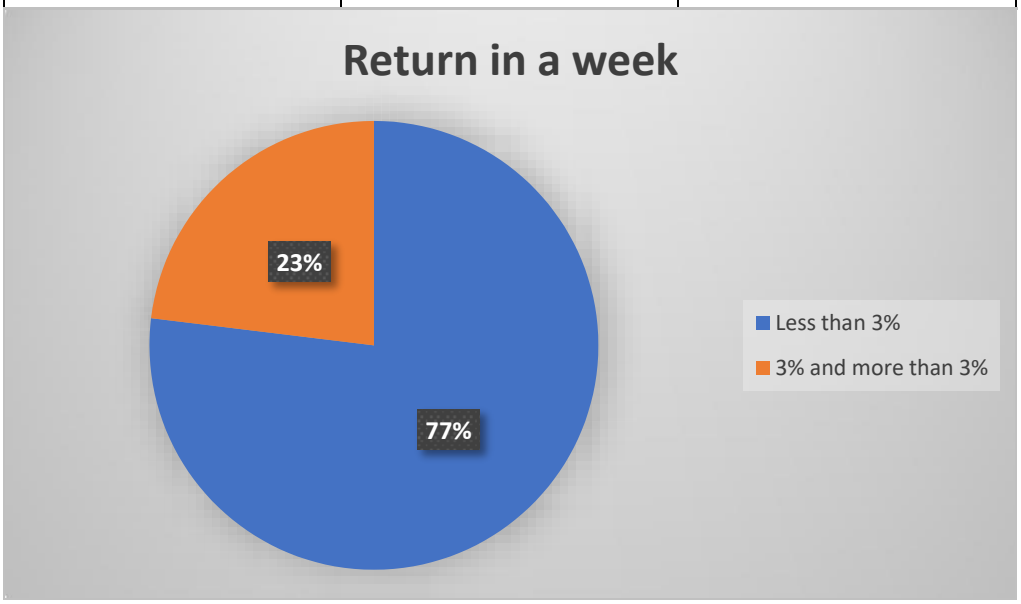

Diagram 7: Return in a weekData Analysis

The above pie chart show that 77% of the respondent are able to earn return lessthan 3%. The remaining 23% of the respondent are able to earn 3% and more than 3% return in a week, which shows that earning return is a difficult task in commodity derivative trading.

Q8. Do you think deep knowledge is required for commodity derivative trading?

Table 9: Knowledge Requirement for Commodity Trading

Feedback	No. of Respondent	Percentage of Respondent(N=65)
Yes	47	72.30
No	18	27.70

Diagram 8: Knowledge requirement for commodity tradingData Analysis

The above pie chart show that 72% of the respondent are in favor of knowledge is prior required to do commodity trading and the remaining 28% of the respondent are of opposite opinion that no prior knowledge is required to do commodity trading. But the fact is that, some knowledge is required in every task/business.

Q9. Is there any incidence happened to you when your wrong trade becomeprofitable?

Table 10: Incidence when wrong trade become Profitable

Feedback	No. of Respondent	Percentage of Respondent(N=65)
Yes	5	7.69
No	60	92.30

Diagram 9: Incidence when wrong trade become ProfitableData Analysis

The above pie chart shows that only 8% of the respondent had experience of their wrong trade becoming profitable and remaining 92% of the respondent hadnot luck enough to experience this.

Q10. Do you think skill, knowledge and luck all are important in commodity derivative trading?

Table 11: Role of skill, knowledge and luck in commodity trading

Feedback	No. of Respondent	Percentage of Respondent(N=65)
Skill and Knowledge	40	61.53
Luck	15	23.07
Both	10	15.38

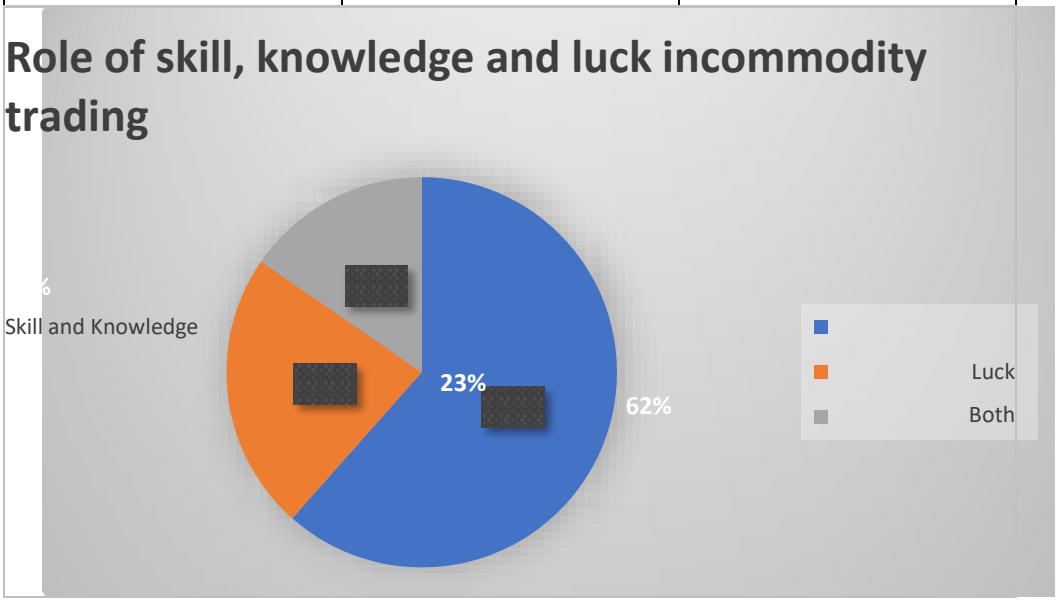

Diagram 10: Role of skill, knowledge and luck in commodity tradingData Analysis

The above pie chart show that majority of respondent about 62% think that skill and knowledge is very important for commodity trading, 23% of the respondent think that luck play important role in commodity trading and the remaining 15%consider both skill and luck important for trading.

Q11. Which type of trade you generally do?

Table 12: Type of trade

Feedback	No. of Respondent	Percentage of Respondent(N=65)
Positional	50	76.92
Intraday	15	23.07

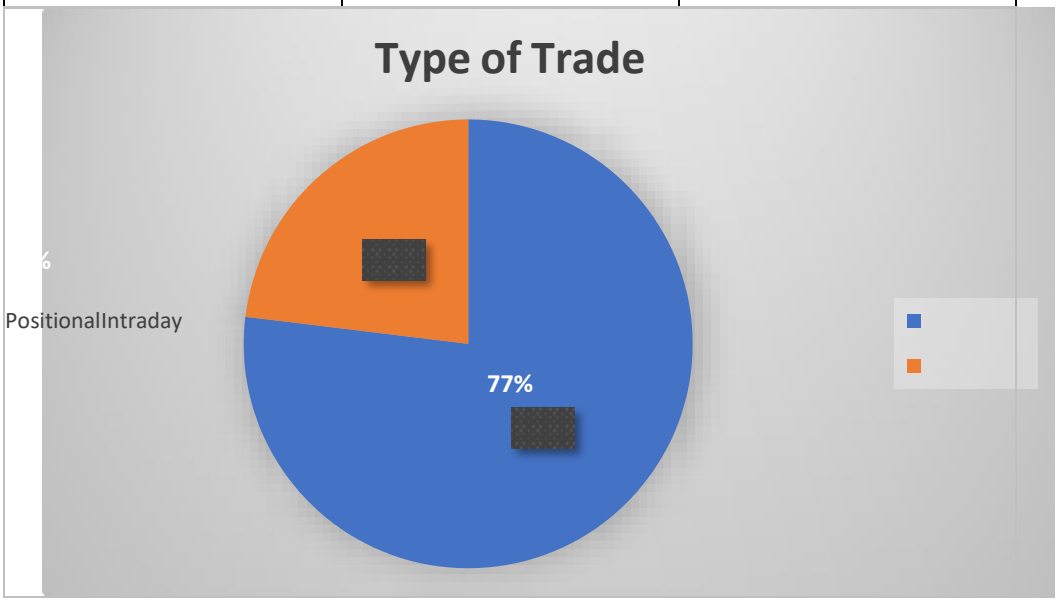

Diagram 11: Type of Trade

Data Analysis

The above pie chart shows that 77% of the respondent do positional type of trade, which means they take their position in commodity derivative market before the major development/news in commodity derivative market to earn return and the remaining 23% of the respondent do Intraday trade, which means they buy/sell in the morning trading day and before the closing of market hour they reverse their earlier position and take profit/loss on day basis.

Q12. How do you overcome emotions in the commodity derivative trading?

Table 13: Controlling Emotion in commodity derivative trading

Feedback	No. of Respondent	Percentage of Respondent(N=65)
By Placing Strict Stoploss and Target	40	61.53
By Studying Investor Psychology	25	38.46

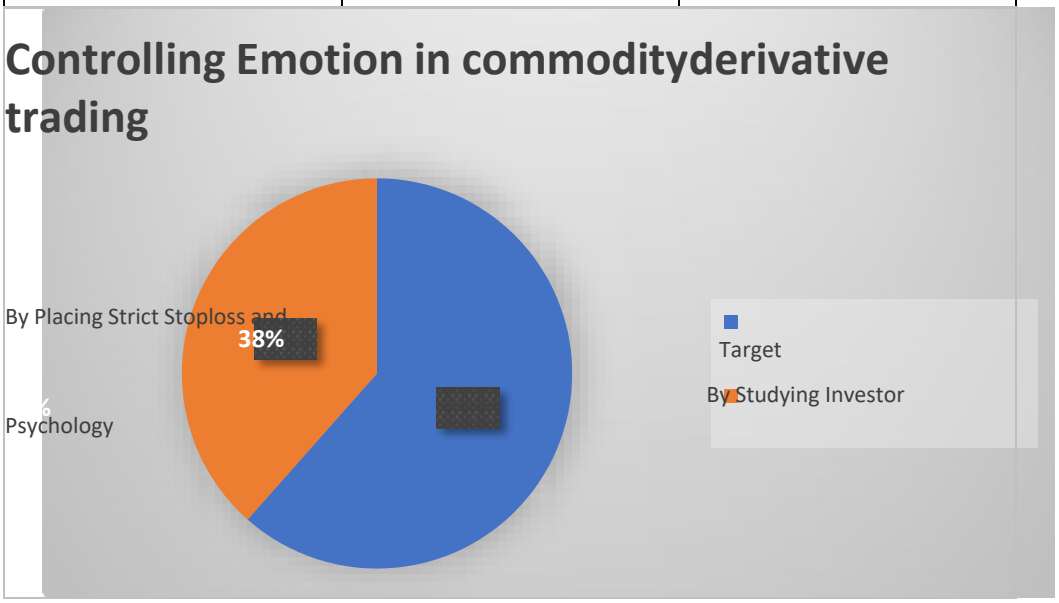

Diagram 12: Controlling Emotion in commodity derivative trading

Data Analysis

The above pie chart shows that 62% of the respondent control their emotions byplacing a strict stoploss and target. The remaining 38% of the respondent controltheir emotions by study the books and journals on the investor psychology.

Q13. Do you think that commodity trading is the capital-intensive business?

Table 14: Commodity derivative trading is capital intensive

Feedback	No. of Respondent	Percentage of Respondent(N=65)
Yes	60	92.30
No	5	7.70

Diagram 13: Commodity derivative trading is capital intensive

Data Analysis

The above pie chart shows that 92% of the respondent is of opinion that commodity derivative trading is a capital-intensive business. Remaining 8% are of opinion that commodity derivative trading is not capital intensive.

Q14. Do you think that commodity derivative trading will gives you superior return than equity market in next 2 year?

Table 15: Return of commodity trading better than equity

Feedback	No. of Respondent	Percentage of Respondent(N=65)
Yes	45	69.23
No	20	30.77

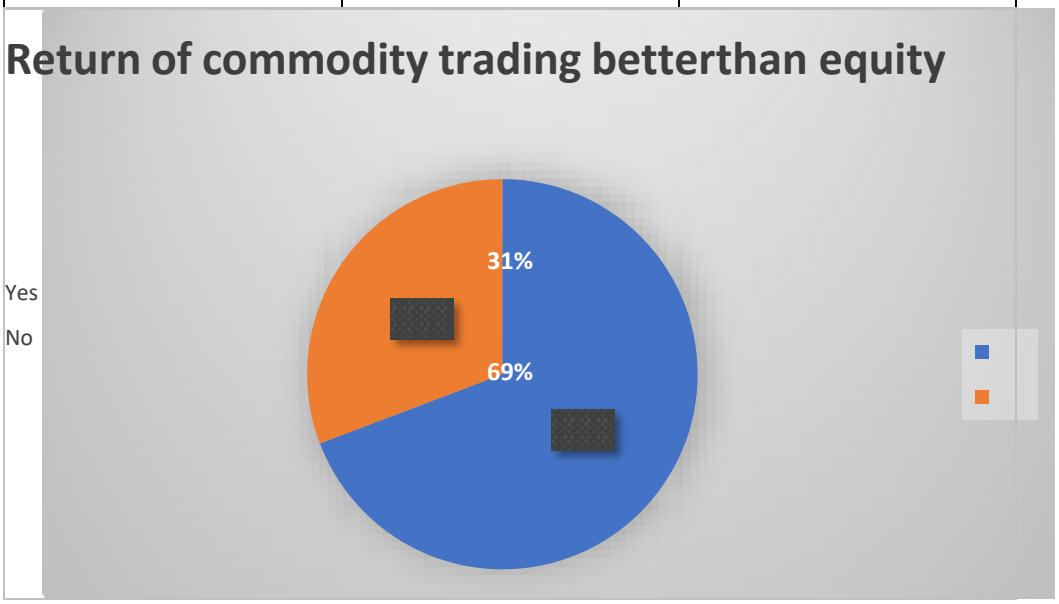

Diagram 14: Return of commodity trading better than equity

Data Analysis

The above pie chart shows that 69% of the respondent are of opinion that in next2 year they will earn more return than then equity market due to global tensions, uncertainty and economic slowdown. Remaining 31% of the respondent are ofopinion that equity market will outperform the commodity derivative market innext 2 years.

Q15. How was your experience of trading commodity derivative?

Table 16: Experience of commodity trading

Feedback	No. of Respondent	Percentage of Respondent(N=65)
Strongly Satisfactory	5	7.70
Satisfactory	20	30.77
Neutral	30	46.15
Unsatisfactory	10	15.38

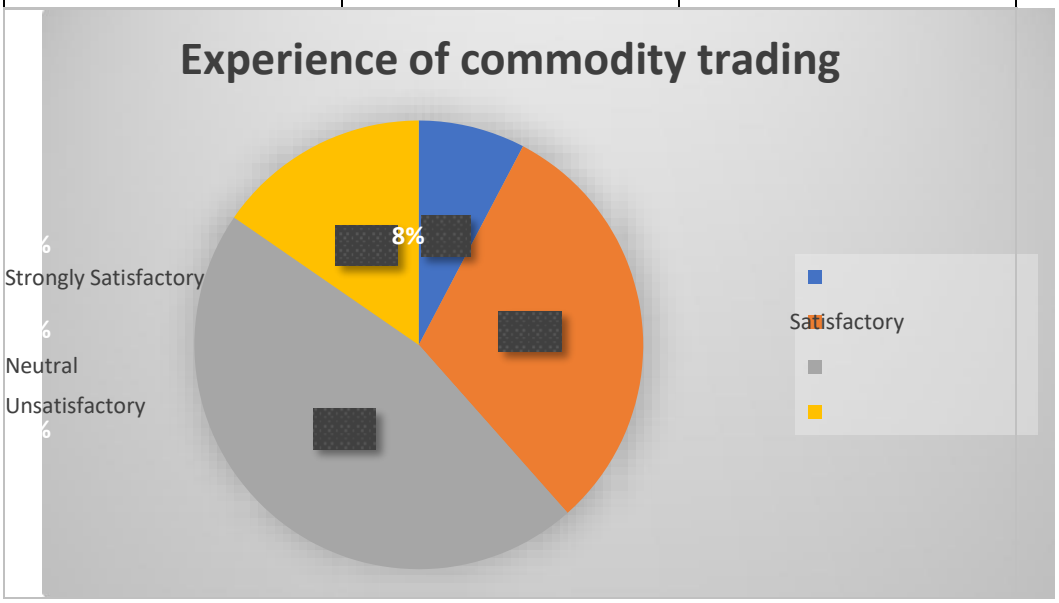

Diagram 15: Experience of commodity trading

Data Analysis

The above pie chart shows that 8% of the respondent are strongly satisfied, 31%are satisfied, 46% of the respondent are in neutral position and remaining 15%are not satisfied with the trading experience in the commodity derivativemarket.

CHAPTER 5.2 DATA INTERPRETATION

5.2.1 Interpretation of Data

- More than half of the respondent trade commodity derivative and remaining 35% respondent don't trade commodity derivative.
- As based on experience, 42% respondent trade in gold, 23% respondenttrade in silver and remaining 35% respondent trade wheat, rice and maize.
- Around 46% investor trade on daily basis, 25% of investor trade on weekly basis and remaining 29% investor trade on monthly basis.
- Around 75% investor use hedging to cover their risk.
- Around 76% investor are hedger, 15% investor are speculator andremaining 9% investor are arbitrager.
- Around 62% investor purpose of trading commodity is to cover their risk, 15% investor purpose is to earn return and remaining 23% investorpurpose is to generate income.
- Around 77% investor are able to earn less than 3% return on weekly basis and remaining 23% investor able to earn 3% or more than 3% return on weekly basis.
- From the data analysis, we can interpret that 72% investor are of view that knowledge is required for commodity trading.
- From the data analysis, we can interpret that 92% investor are not lucky enough in incidence when wrong trade become profitable.
- Around 62% investor are of view that skill and knowledge is necessary for commodity trading. 15% investor are of view that both skill, knowledge as well as luck is important in commodity trading.
- Around 77% investor are positional trader and remaining 23% investor are intraday trader.

- About 62% investor overcome their emotion in trading by placing strict stoploss and target and remaining 38% investor by studying investor psychology.
- Around 92% investor are of view that commodity derivative trading is capital intensive business.
- Around 69% investor are of view that commodity trading return will outperform the return of equity market in next 2 year.

CHAPTER 6 RECOMMENDATIONS/ SUGGESTIONS

CHAPTER 6: SUGGESTIONS

6.1 Recommendations

Commodity trading has emerged as an excellent alternative to conventional investment instruments in recent times. Some investors say that commodity trading is easier than stock trading since the volatility is significantly low (except for some agricultural commodities and metals) and predictable. Commodity trading also lets investors diversify their asset allocation strategy, hedge against inflation, get decent leverage, and provide many other benefits. Investors also say that since many commodities are cyclical in nature, meaningthe prices increase during the same period every year, it makes it relatively easyto make money. However, as with any investment, proper knowledge is vital to make decent profits, and commodity trading is no exception.

6.2 Suggestion for better commodity trading

1. **Treat leverage with caution:** Unlike stock trading, commodity tradingis characterized by high leverage. Leverage refers to the margin you need to pay to place a trade. For example, the margin is usually 10% in index futures, and it is typically 15% in stock futures. However, in the case of commodity trading, the leverage can be as high as 16 times. Also,you can increase it even further if you put a cover order with stop loss. Investors looking for commodity market tips often feel fascinated by leverage and enter the market to make high profits with low investment.But leverage might be a double-edged sword if not treated with caution.While leverage can increase your profits manifold, it can also magnify your losses (if the market goes in the opposite direction).

2. **Understand the market cycle:** Commodities generally follow a cycle depending on various demand, supply, geopolitical, and economic factors. Investors relying on commodity market tips factor in the cyclicalnature while placing trades. The more accurate your observations, the

better profits you may make. The demand-supply process generally follows a fixed system as mentioned below:

- The demand for commodities increases due to various factors. For example, the demand for gold increases when geopolitical tensions erupt.
- To meet the rising demand, the producer increases their capital expenditure on production.
- The commodity price moves up due to enhanced demand and higher capital expenditure.
- However, when the price reaches its pinnacle, buyers control their urge to buy the commodity, resulting in less demand.
- Less demand leads to a surplus in supply, and producers/manufacturers reduce the commodity's price to revivethe demand.
- Since less demand leads to less capital expenditure, it also meansless supply. The process enables the manufacturer/producer to achieve a demand and supply equilibrium.

Expert investors know the market cycle quite well and know the besttime to place their trades. Hence, to make more sense of the commodity market and eventually profit from it, you must observe and understand the market cycle well.

3. **Make volatility your best friend:** Volatility is part and parcel of a trader. Perhaps the best commodity market trading tips are those that enable you to understand and benefit from volatility. While somecommodities are highly volatile (such as copper or agricultural commodities), some are less volatile (such as gold, crude oil, etc.). Low-volatile commodities generally follow a set trajectory within a broader long-term trend. For example, during the peak of the COVID-19 pandemic, oil prices collapsed and continued their downward journey

for quite some time. And, for an investor, such times can be the best formaking money from commodity market trading. To make volatility yourfriend, you must understand the broader trend and the price range of thecommodity you wish to trade. Also, every time you trade a commodity,you have to choose the lot size. Inexperienced traders choose the lot size depending on the margin availability. However, expert investors alwaysevaluate the volatility, and not margin, of a commodity while determining the lot size. For beginners, it is wise to start with low- volatile commodities before moving on to high-volatile commodities. Once you get the heck of price movement, the commodity market tips you get from your broker will make more sense to you.

4. **Select the best broker:** The most underrated of all commodity market tips you would find on the internet is the one that matters the most - thebroker. A broker plays a prominent role in determining the benefits of trading in commodities. For example, if the broker's online platform is slow, the order execution might get delayed. Moreover, if the brokerageis too high, your actual profit might be less. Fortunately, many online brokers let you open a free online account and trade with 0% brokerage. Moreover, they also provide an app for carrying out online transactionson the go. Additionally, you can learn about commodities by reading theblogs published on their website.

CHAPTER 7 CONCLUSION

CHAPTER 7: CONCLUSION

7.1 Inference

During this research report I have tried my best to touch each and every aspect which would affect the business process of the company. All exchanges generate impacts in the core functions of price discovery, price risk management and as a venue for investment. Each exchange offers liquid markets, a central counter party to all but eliminate counter party risk, market data that is freely and transparently disseminated and futures markets that are well-correlated with spot markets to enable effective price risk management. Only two positive impacts were opposed on the basis of experience in the featured markets to date-that a commodity exchange can enable hedging against risk and provide speculators a place to take the risk of hedger in expectation to earn a big profit and help in the fair price- discovery mechanism in commodity market.

The parameters that decide the price of commodity in different exchanges are:

- Volume of commodity being traded.
- Demand and Supply forces.
- Worldwide demand and supply of a given commodity.

The area of facilitating commodity is perhaps the area where there is greatest scope for exchanges to learn from each other's experience. These are the main aspect which could be provided to the companies about which I will bediscussing in the next part.

During my report preparation journey my mentor, colleagues has helped me a lot. I understand, to reach any heights you have to start from the scratch. I understand that if you want to be best in report preparation then you have to doyour work with full dedication and sincerity.

CHAPTER 8ANNEXURE

CHAPTER 8.1: BIBLIOGRAPHY

8.1.1 Journals

Shroff (1950) referred the Government of India draft bill on introduction of forward trading in India and recommended the introduction of forward trading helps in hedging, price stabilization, reducing the speculation.

Kamara (1982) analysed the impact of introduction of commodity futures by comparing the spot market volatility before and after introduction of commodityfutures and found no significant change.

Kabra Committee Report (1993) advised to strengthen the Forward Market Commission (FMC) and Forward Contract Act, 1952 by means of improving infrastructure, telecommunication, functioning of the exchanges, adequate norms, automation of trading in exchanges, regulation to designing and trading of futures contracts, and establishing strong vigilance committee.

Singh (2000) analysed efficiency of Indian commodity futures, advised optimizing the futures markets to discover the prices and minimize risk. According to him, exchanges should be self-regulated to curb speculation. Government should minimize the intervention in pricing mechanism and shouldinitiate private participation.

Sahadevan (2002) surveyed the recognized exchanges and their organizational, trading and the regulatory set up for futures trading in commodities and revealedthat many of the commodity futures exchanges fail to provide an efficient hedgeagainst the risk emerging from volatile prices of many farm products in which they carry out futures trading.

Chen and Firth (2004) analysed the relationship between return and trading volume of four commodity futures in China, by using correlation and Granger causality test. They found no correlation between return and volume, but signifythe causality from trading volume and return, vice versa. They, however, founda correlation between absolute return and trading volume.

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CHAPTER 8.2 QUESTIONNAIRE

8.2.1 Questionnaire on Commodity Trading Analysis andInvestor's Perception

Q1. Do you do Commodity Derivative Trading?

(A) Yes (B) No

Q2. Which type of commodity do you trade?

(A) Gold (B) Silver (C) Wheat

(D) Rice (E) Maize

Q3. How frequently do you trade in Commodity Derivative Market?

(A) Daily (B) Weekly (C) Monthly

Q4. Do you use Hedging while Trading Commodity derivative?

(A) Yes (B) No

Q5. Which type of Commodity Derivative Trader you are?

(A) Hedger (B) Speculator (C) Arbitrager

Q6. What is your basic purpose of commodity derivative trading?

(A) Return (B) Risk-Covering (C) Income Generation

Q7. How much return(approx.) you able to earn in a week while trading?

(A) Less than 3% (B) 3% and more than 3%

Q8. Do you think deep knowledge is required for commodity derivative trading?

(A) Yes (B) No

Q9. Is there any incidence happened to you when your wrong trade become profitable?

(A) Yes (B) No

Q10. Do you think skill, knowledge and luck all are important in commodity derivative trading?

(A) Skill and Knowledge (B) Luck (C) Both

Q11. Which type of trade you generally do?

(A) Positional (B) Intraday

Q12. How do you overcome emotions in the commodity derivative trading?

(A) By Placing Strict Stoploss and Target

(B) By Studying Investor Psychology

Q13. Do you think that commodity trading is the capital-intensive business?

(A) Yes (B) No

Q14. Do you think that commodity derivative trading will gives you superior return than equity market in next 2 year?

(A) Yes (B) No

Q15. How was your experience of trading commodity derivative?

(A) Strongly Satisfactory (B) Satisfactory

(C) Neutral (D) Unsatisfactory