

A STUDY ON COMMODITY MARKET WITH REFERENCE TO GOLD AND SILVER BULLION

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Abstract - The commodities' markets are one of the fastest growing areas in the investment world. A commodity market is an exchange for buying and selling of commodities for future delivery. Commodity trading in India started much before it started in many other countries. However, years of foreign rule, draughts and periods of scarcity and government policies, caused the commodity trading in India to diminish. Commodity trading was however restarted in India recently, but a lot more developments and initiatives need to be taken in this avenue. Investing in commodities offers protection against risk, diversified portfolio, trading on lower margin and safety. The study focuses on understanding the concepts and mechanism of commodity trading with special reference to Gold. It also aims to analyze the factors that influence the prices of gold and analyze the gold trend in the commodity market.

Key words – commodity market ,gold ,silver

I. INTRODUCTION

It is a place where precious metals such as gold and silver can be bought and sold in the market looking after the customer demand and price fluctuation. The price fluctuation of the metals depends upon the market supply and market demand. These two factors the supply and demand drive the underlying price which is then adjusted upward or downwards depending on the form of the precious metal such as gold and silver. Modern bullion market allows the small and individual investors all the way up large institution or shops to easily buying and selling of the precious metal such as gold and silver. This market is the most widely traded form of these precious metals. Bullion refers to the precious metal which is in the tradable form of bars, wafers, ingots and coins. The purity of the bars in the bullion market is 0.99 to 0.995.

0.99 purity of gold is rarely find in the market and it is the most pure form of purity of gold and silver and 0.995 is commonly used for the trading of the bullion market in India and other countries of the world. Bullions are usually taken in the shapes of coins, bars and ingots. Prices are based on the precious metal weights and its contents. According to the history of bullion market, South Africa was the first country to mint bullion coins, the bullion coins tended to be quite rare, many with mintages have less than 10,000. It was minted since 1980 and are designed to be bought and sold on the metal content, not their face value. But now it depends on both the main cause the metal content as well as the face value of the metal in that particular market globally. The history of gold starts with a small child who finds a shiny rock in a creek, thousands of years ago, and after that the humans were introduced to it. It was first discovered as shining, yellow nuggets. "GOLD IS WHERE YOU FIND IT", gold was first discovered in its natural state, which streams all over the world. It was the first metal known to be early hominids. Gold was found in Egypt at 200 B.C, which is the first metal used by the humans for ornaments and rituals, but rather gold was more popular history of more than 7000 years in India, which is been found in the religious book of Hindu, it is considered as a metal of immense value.

It is the most precious metal and is being considered as a value of the standard for many currencies (The Gold Standard) in history. Gold symbolises for royalty, purity and value of that particular person or throughout the nation. From the early time gold has become a part of every human culture. Its natural beauty, and its great malleability and resistance to tarnish make it enjoyable to work and play with. Gold is dispersed widely throughout the geological world, nearly everyone who found was impressed with it, and it was the developing culture in which they lived in. Early civic establishments compared gold with divine beings and rulers, and gold was looked for in their name and devoted to their glorification. People naturally place a high incentive on gold, likening it with force, excellence, and the social first class. Furthermore, since gold is generally dispersed everywhere throughout the globe, we locate this equivalent contemplating gold all through antiquated and present day civic establishments all over the place. Gold, excellence, and force have constantly gone together.

Gold in antiquated occasions was made into places of worship and symbols ("the Golden Calf"), plates, cups, containers and vessels of numerous sorts, and obviously, gems for individual decoration. The "Gold of Troy" treasure chest exhumed in Turkey and dating to the time 2450 - 2600 B.C., show the scope of gold-work from sensitive gems to a gold sauce pitcher gauging a full troy pound. This was when gold was exceptionally esteemed, yet had not yet become cash itself. Or maybe, it was claimed by the ground-breaking and very much associated, or made into objects of love, or used to finish holy areas. Gold has consistently had an incentive to people, even before it was cash. This is exhibited by the remarkable endeavors made to get it. Prospecting for gold was an overall exertion returning a great many years, even before the primary cash as gold coins showed up around 700 B.C. In the journey for gold by the Phoenicians, Egyptians, Indians, Hittites, Chinese, and others, detainees of war were sent to work the mines, as were slaves and lawbreakers. What's more, this occurred during when gold had no an incentive as 'cash,' however was simply viewed as an attractive product all by itself. Yearly gold creation overall is about US\$35 billion and by a wide margin the one of the biggest exchanging world product. Around the world, gold mines produce around 2,464. tons in the year 2004 from absolute inventory of 3328 tons however unfit to fulfil recognizable need of 3497 tons. Gold is mined in excess of 118 nations around the globe, with the huge number

of improvement extends in these nations expected to keep creation developing admirably into the following century. Right now, South Africa is the biggest gold creating nation, trailed by the United States, Australia, Canada, Indonesia, Russia and others, a portion of this nations likewise represent most noteworthy gold stores from potential 50,000 tons of overall stores.

II. MULTI COMMODITY EXCHANGE(MCX)

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 in gold and futures trading in non-ferrous metals, bullion, energy, and a number of agricultural commodities (mentha oil, cardamom, crude palm oil, cotton, and others). metals to be discovered on an exchange platform in a transparent manner. This fulfills an important step towards development of domestic benchmarks which reflect domestic market fundamentals, while the delivery standards are in tune with international standards.

Paving the way for introduction of Options with 'commodities' as underlying, the Government of India issued a notification on October 18, 2019, which widens the scope of commodity derivatives traded in recognised exchanges. Following this, SEBI permitted stock exchanges to launch 'Option in goods' in their commodity derivatives segment, in addition to existing 'options on commodity futures'. MCX has launched Gold Mini Options with Gold Mini (100 grams) bar as the underlying, and plans to launch Silver Mini 5 Kg 'option in goods' contract soon.

III. NATIONAL COMMODITY DERIVATIVES EXCHANGE (NCDEX)

National Commodity & Derivatives Exchange or NCDEX came into existence in December 2003 with headquarters in Mumbai. The exchange has its offices and branches spread all across the country. The initial founding member organizations of NCDEX included big names like ICICI Bank, LIC, NABARD, IFFCO, and Goldman Sachs. The central focus of NCDEX is on the trade of agricultural commodity derivatives. Out of the 27 contracts traded on NCDEX, 25 belong to those of agricultural products. Due to a large number of spices present in India, NCDEX is like a global standard for the pricing of spices

IV. ICEX – ONE OF THE BEST COMMODITY EXCHANGE IN INDIA

The ICEX is regulated by the Securities Exchange Board of India (SEBI). It also has its headquarters in Mumbai.

Some prominent financial institutions like the Punjab National Bank, IDFC Bank, IBFS, etc. are principal shareholders.

ICEX was the first to initiate the derivative contracts of diamonds for trading. This exchange aims to trade in all commodities that have economic relevance for the Indian economy. The exchange operates from Monday to Friday. The square off timings for agricultural commodities is 5:00 pm, whereas non- agricultural products have been extended to 11:30 pm. In 2017, ICEX merged with NCME to become India's third-largest commodity exchange.

ACE Derivatives and Commodity Exchange

ACE stands for Ahmedabad commodity exchange. The ACE derivatives and commodities exchange was founded in October 2010. Since then, it is one of the leading commodity exchanges in India. It initially started only as a regional commodity market in Ahmedabad. However, soon, it was upgraded to deal at a national level. This was possible with the help of hundreds of brokers who got associated with the exchange. Kotak Mahindra owns a 51% stake in Ace derivatives and commodity exchange. Some other prominent institutions which hold a stake are Bank of Baroda, Union Bank, HAFED, etc

OPTIONS

An option is the right, but not the obligation, to buy or sell something on a specified date at a specified price. In the securities market, an option is a contract between two parties to buy or sell a specified number of shares at a later date for an agreed price. The parties involved in the option trading are the option seller, buyer, and the broker. The following points about options should be noted:

- The option seller or writer is a person who grants someone else the option to buy or sell. He receives a premium on its price.
- The option buyer pays a price to the option writer to induce him to write the option. The option broker, who is an agent, finds the option buyer and seller, and receives a commission or fee for it.
- There are two type of option the call option and put option

FUTURES

A futures contract calls for the delivery of either a physical asset or financial instrument at a specified date or during a specific period of time for an agreed price. Futures contracts obligate a person to buy or sell a particular commodity at a particular price on a particular day. If 'X' buys a futures contract, he is obligated to buy the commodity at the stated price. He holds a long position in the future. On the other side, if 'X' sells such a future, he is obligated to sell the commodity at the stated price. He holds a short position in the future. The terms of futures contracts are always specified in detail. A typical contract includes the following:

- The amount and type of the asset to be delivered - the exact type of asset or set of assets must be delivered and the exact type of asset or set of asset of must be delivered and in the exact quantities specified
- The delivery date or maturity date, i.e., the date on which, or period of time when, the exchange is to be consummated.
- The exact place and process of delivery.

The regulatory authorities specify the margin amount to be deposited to ensure that each party follows through with his or her side of the transaction. Restrictions are placed on the extent of price that can occur within a trading day and the size of the position that can be taken.

Although futures and forward contracts are similar in some respects, there are important differences between them. These are listed below:

- Futures are traded in organized exchanges
- Futures contracts are of a standardized size
- Clearing houses guarantee that all traders in futures markets will honour their obligations
- Margin payments and daily settlements are required Futures positions are closed easily
- Futures markets come under regulatory agencies, while forward markets are self-regulated

V. OBJECTIVE OF THE STUDY

- To study on risk and return analysis of selected stocks in MCX
- To study the share prices movement
- To find out the overbought and over sold situation of selected stocks.
- To find the relation between market index and individual stock index

VI. METHODOLOGY

Research design

Descriptive research design is followed in the study in order to describe the current pricing movement and risk return situation of the selected stocks

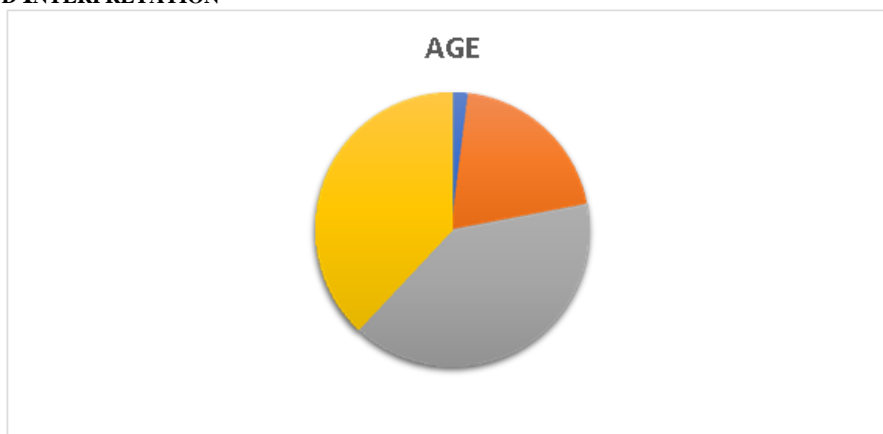
Tools for Data Collection Google form :

By using the google form various questions are framed and answer of relevant data

Data Collection

I collected primary data from from the public through google form and analyze it in excel tool

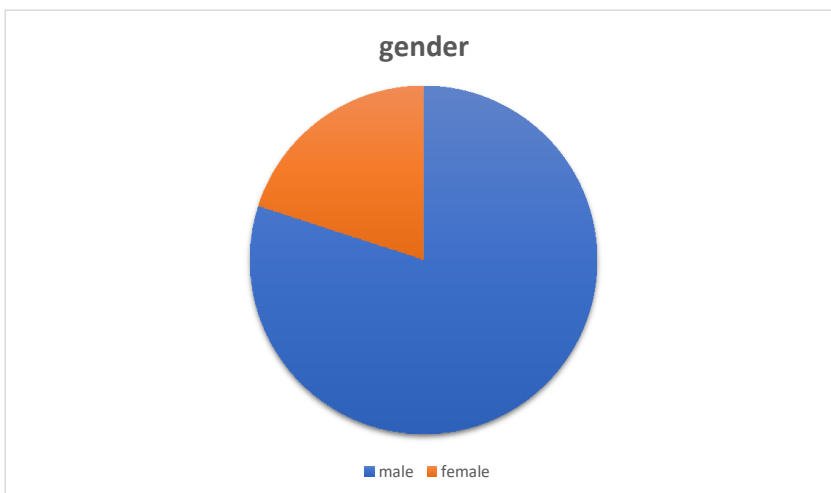
VII. DATA ANALYSIS AND INTERPRETATION



PARTICULARS	No of responses	PERCENTAGE
Under 18	1	2%
19-35	10	20%
36-60	20	40%
Above 61	19	38%
TOTAL	50	100

INTERPRETATION :

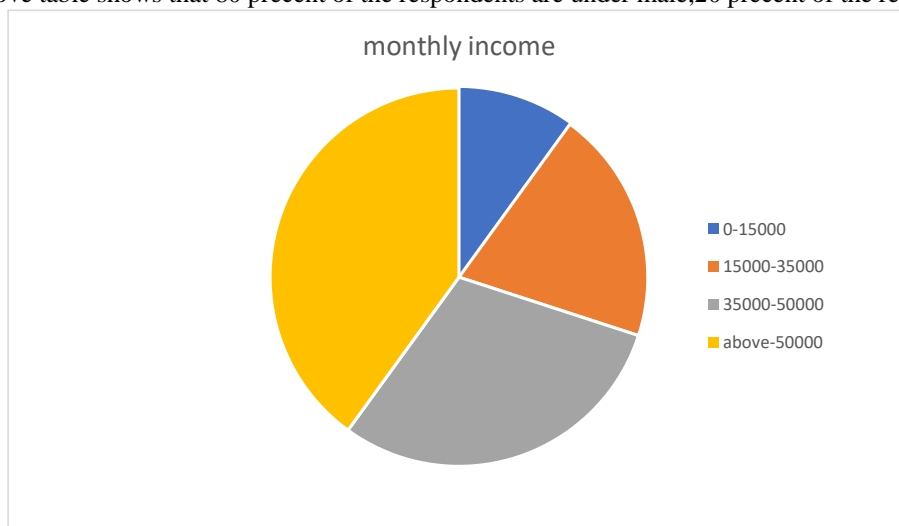
From The above table shows that 2 percent of the respondents are under 18,20percent of the respondent are 19-35,40percent of the respondents are 36- 60,38percent of the respondent are above 61



PARTICULARS	No of responses	PERCENTAGE
Male	40	80%
Female	10	20%
TOTAL	50	100

INTERPRETATION :

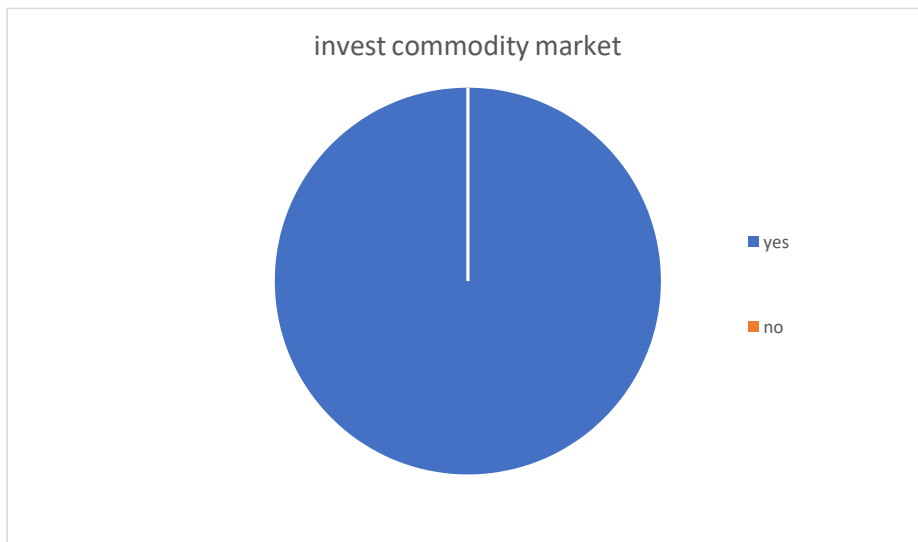
From The above table shows that 80 percent of the respondents are under male,20 percent of the respondent are female



PARTICULARS	No of responses	PERCENTAGE
0-15000	5	10%
15000-35000	10	20%
35000-50000	15	30%
Above -50000	20	40%
TOTAL	50	100

INTERPRETATION :

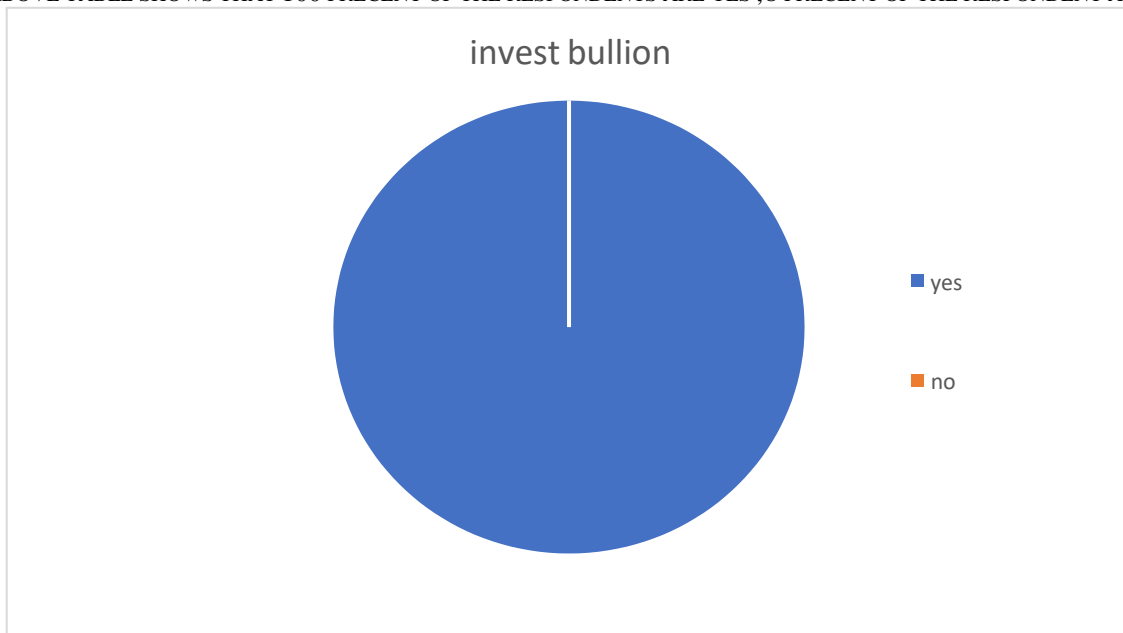
From The above table shows that 10 percent of the respondents are 0-15000,20 percent of the respondent are 15000-35000,30 percent of the respondent are 35000-50000.40 percent of the respondent are above -50000



PARTICULARS	NO OF RESPONSES	PERCENTAGE
YES	50	100%
NO	0	0
TOTAL	50	100

INTERPRETATION :

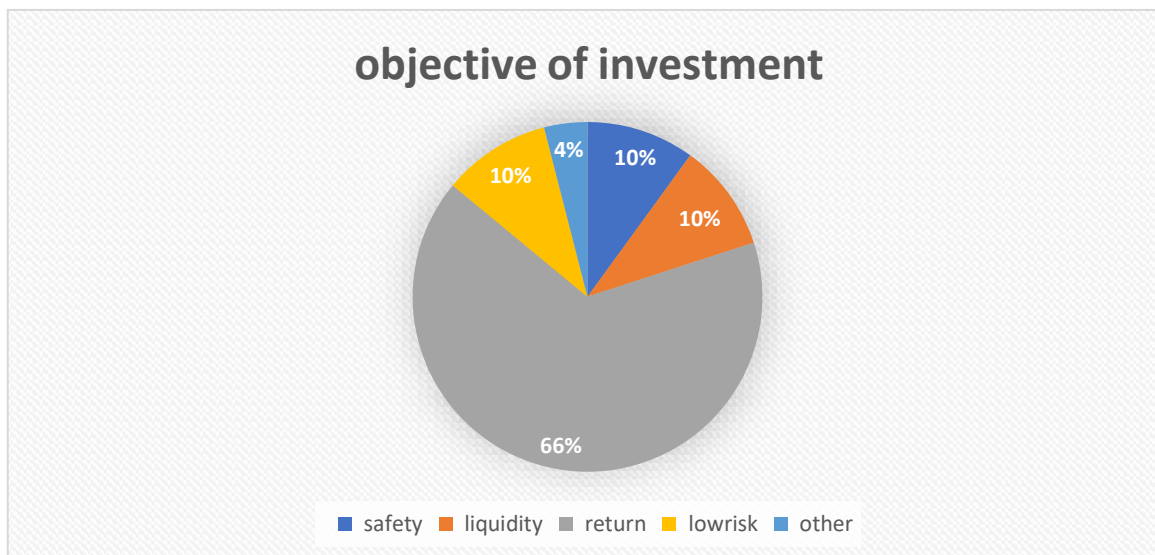
FROM THE ABOVE TABLE SHOWS THAT 100 PERCENT OF THE RESPONDENTS ARE YES ,0 PERCENT OF THE RESPONDENT ARE NO



PARTICULARS	NO OF RESPONSES	PERCENTAGE
YES	50	100%
NO	0	0
TOTAL	50	100

INTERPRETATION :

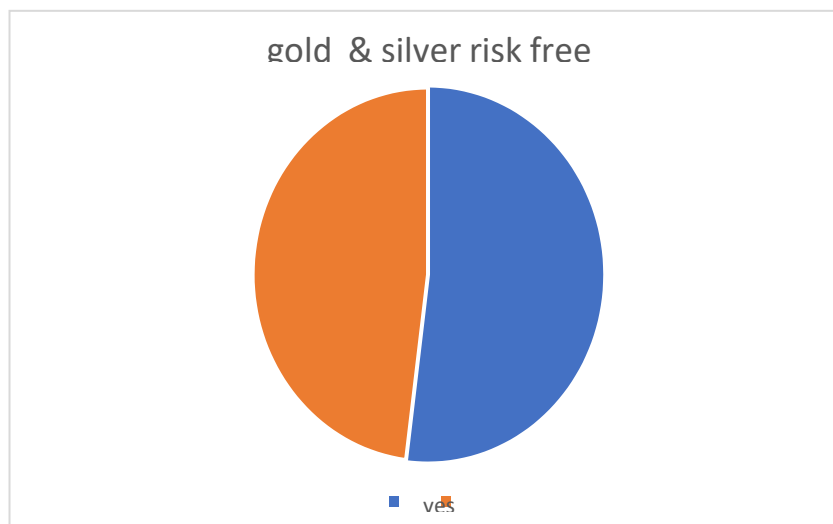
FROM THE ABOVE TABLE SHOWS THAT 100 PERCENT OF THE RESPONDENTS ARE YES ,0 PERCENT OF THE RESPONDENT ARE NO.



PARTICULARS	NO OF RESPONSES	PERCENTAGE
SAFETY	5	10%
LIQUIDITY	5	10%
RETURN	33	66%
LOW RISK	5	10%
OTHERS	2	4%
TOTAL	50	100

INTERPRETATION :

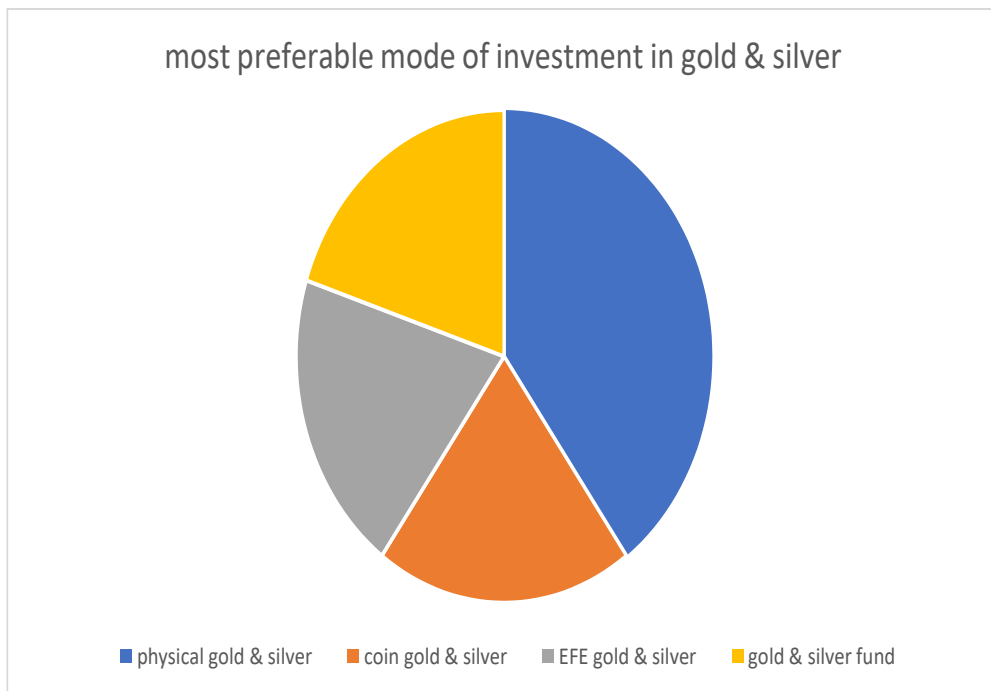
From The above table shows that 10 percent of the respondents are safety ,10 percentof the respondents are liquidity,66 percent of the respondents are return,10 percent of the respondents are low risk,4 percent of the respondents are others



PARTICULARS	NO OF RESPONSES	PERCENTAGE
YES	26	52%
NO	24	48%
TOTAL	50	100

INTERPRETATION :

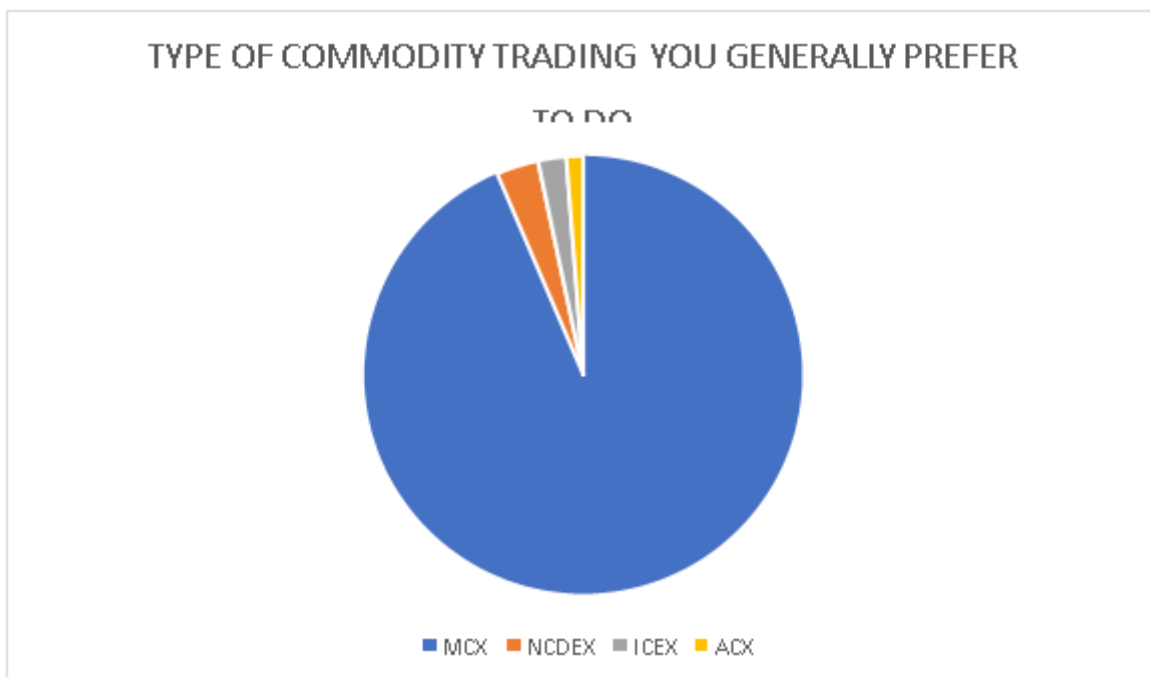
From The above table shows that 52 percent of the respondents are yes ,48 percentof the respondents are no.



PARTICULARS	NO OF RESPONSES	PERCENTAGE
PHYSICAL GOLD & SILVER	20	40%
COINS GOLD & SILVER	10	20%
ETF GOLD & SILVER	10	20%
GOLD & SILVER FUNDS	10	20%
TOTAL	50	100

INTERPRETATION :

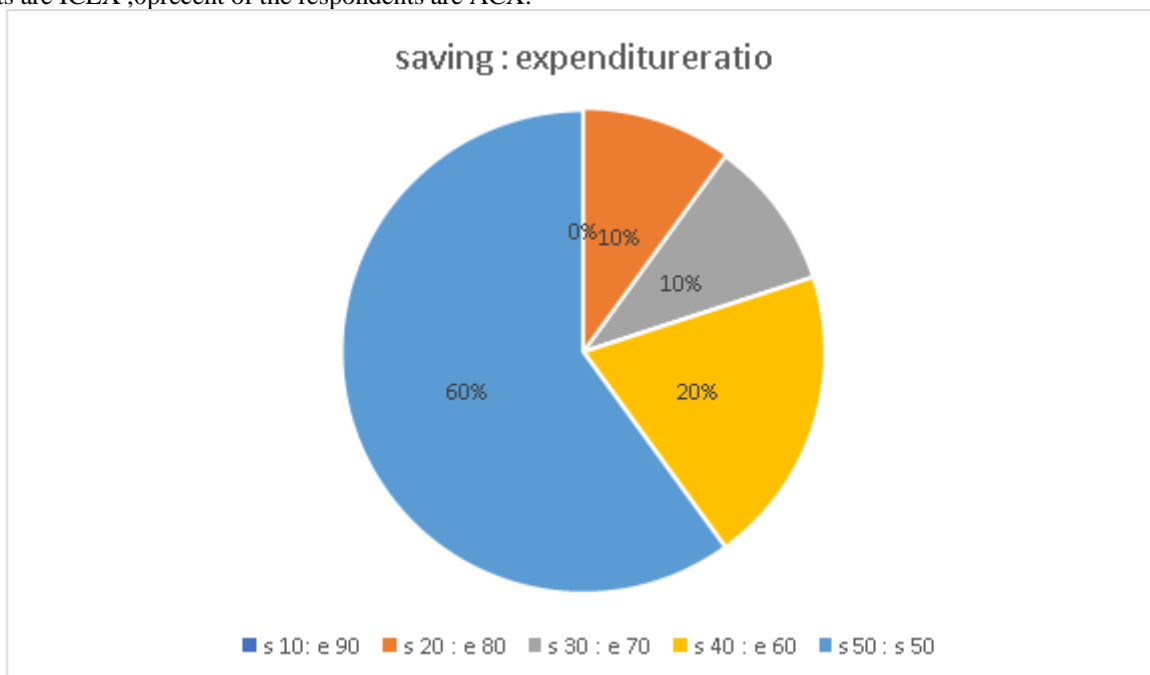
FROM THE ABOVE TABLE SHOWS THAT 40 PERCENT OF THE RESPONDENTS ARE PHYSICAL GOLD & SILVER ,20 PERCENT OF THE RESPONDENTS ARE COINS GOLD & SILVER ,20 PERCENT OF THE RESPONDENTS ARE EFE GOLD & SILVER,20 PERCENT OF THE RESPONDENTS ARE GOLD & SILVER FUND.



PARTICULARS	No of responses	PERCENTAGE
MCX	45	90%
NCDEX	3	6%
ICEX	2	4%
ACX	0	0%
TOTAL	50	100

INTERPRETATION :

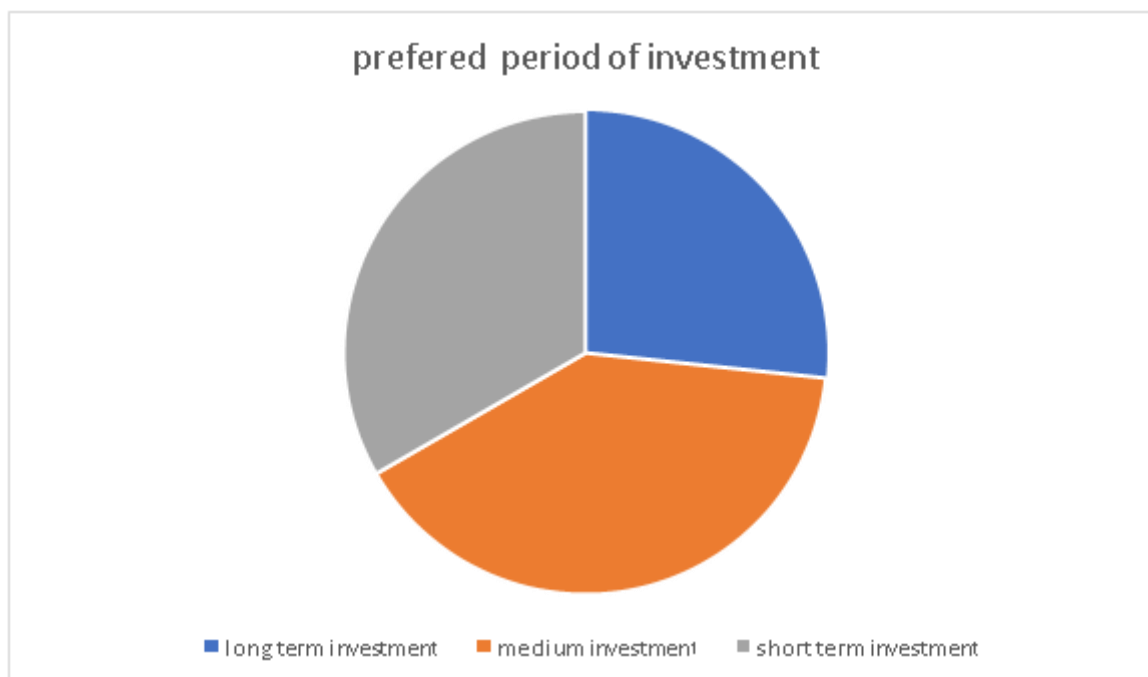
From The above table shows that 90 percent of the respondents are MCX,6percent of the respondents are NCDEX,4 percent of the respondents are ICEX ,0percent of the respondents are ACX.



PARTICULARS	NO OF RESPONSES	PERCENTAGE
10:90	0	0
20:80	5	10
30:70	5	10
40:60	10	20
50:50	30	60
TOTAL	50	100

INTERPRETATION :

FROM THE ABOVE TABLE SHOWS THAT 0 PERCENT OF THE RESPONDENTS ARE 10:90,10 PERCENT OF THE RESPONDENTS ARE 20:80.10 PERCENT OF THE RESPONDENTS ARE 30:70.20 PERCENT OF THE RESPONDENTS ARE 40:60,50:50 PERCENT OF THE RESPONDENTS ARE 60.



PARTICULARS	No of responses	PERCENTAGE
Long term investment	10	20
Medium term investment	15	30
Short term investment	25	50
TOTAL	50	100

INTERPRETATION :

From The above table shows that 20 percent of the respondents are long term investment,30 percent of the respondents are medium term investment,50 percent of the respondents are short term investment.

VIII. CONCLUSION

From the above study, there was a better understanding of the bullion market and its advantages and disadvantages of investing gold in the market. Study of daily price fluctuation of the gold and silver commodity in the Bullion Market. The speculation goal of most financial specialists is to pick up pay just as appreciation. Very few contribute their pay for the security of their capital. People have begun putting resources into Gold ETFs because of low costs, charge effectiveness, and stock-like highlights. Price of Gold predominantly depends on the supply and demand factor. Internationally exchanging Gold has given the financial specialists exceptionally protected and very fruitful choice. Today individuals who prior dreaded from entering the market are putting resources into Gold as it is the most secure resource and furthermore its cost is less fluctuating. The explanation might be any yet today individuals are happy to put resources into Gold as opposed to Stock.

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