

ROLE OF COMMODITY MARKET WITH REFERENCE TO GOLD VS SILVER

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ABSTRACT

The trading in commodities was started with the first transaction that took place between two individuals. We can relate this to the ancient method of trading i.e., BARTER SYSTEM. This method faced the initial hiccups due to the problems like: store of value, medium of exchange, deferred payment, measure of wealth etc. This led to the invention of MONEY. As the market started to expand, the problem of scarcity piled up. The farmers/traders then felt the need to protect themselves against the fluctuations in the price for their produce. In the ancient times, the commodities traded were – the Agricultural Produce, which was exposed to higher risk i.e., the natural calamities and had to face the price uncertainty. It was certain that during the scarcity, the farmer realized higher prices and during the oversupply he had to loose his profitability. On the other hand, the trader had to pay higher price during the scarcity and vice versa. It was at this time that both joined hands and entered into a contract for the trade i.e., delivery of the produce after the harvest, for a price decided earlier. By this both had reduced the future uncertainty.

Keywords: Commodity Market, Gold Vs Silver, Share Price.

1. INTRODUCTION

Commodities Futures' trading...! in India have a long history. The first commodity futures market appeared in 1875. But the new standardized form of trading in the Indian capital market is an attractive package for all the people who earn money through speculation by trading into FUTURES. It is a well-known fact and should be remembered that the trading in commodities through futures' exchanges is merely, "Old wine in a new bottle". One stone still remained unturned- 'surety of honoring the contract on part from either of the parties'. This problem was settled in the year 1848, when a group of traders in CHICAGO came forward to standardize the trading. They initiated the concept of "to-arrive" contract and permitted the farmers to lock in the price upfront and deliver the grain at a contracted date later. This trading was carried on a platform called CHICAGO BOARD OF TRADE, one of the most popular commodities trading exchanges' today. It was this time that the trading in commodity futures' picked up and never looked back. Although in the 19th century only agricultural produce was traded as a futures contract, but now, the commodities of global or at least domestic importance are being traded over the commodity futures' exchanges. This form of trading has proved useful as a device for HEDGING and SPECULATION. The commodities that are traded today are:

Agro-Based Commodities -	Wheat, Corn, Cotton, Oils, Oilseeds etc..
Soft Commodities	- Coffee, Cocoa, Sugar etc
Livestock	- Live Cattle, Pork Bellies etc
Energy	- Crude Oil, Natural Gas, Gasoline etc
Precious Metals	- Gold, Silver, Platinum etc
Other Metals	- Nickel, Aluminum, Copper etc

A commodity market is a market that trades in primary economic sector rather than manufactured products. Soft commodities are agricultural products such as wheat, coffee, cocoa and sugar. Hard commodities are mined, such as gold and oil. Investors access about 50 major commodity markets worldwide with purely financial transactions increasingly outnumbering physical trades in which goods are delivered. Contracts are the oldest way of investing in commodities. Futures are secured by physical assets. Commodity markets can include physical trading and derivatives trading using spot prices, forwards, futures, and options on futures. Farmers have used a simple form of derivative trading in the commodity market for centuries for price risk management.

A financial derivative is a financial instrument whose value is derived from a commodity termed an underlie. Derivatives are either exchange-traded or over-the-counter (OTC). An increasing number of derivatives are traded via clearing houses some with Central Counterparty Clearing, which provide clearing and settlement services on a

futures exchange, as well as off-exchange in the OTC market. Derivatives such as futures contracts, Swaps (1970s-), Exchange-traded Commodities (ETC) (2003-), forward contracts have become the primary trading instruments in commodity markets. Futures are traded on regulated commodities exchanges. Over-the-counter (OTC) contracts are "privately negotiated bilateral contracts entered into between the contracting parties directly."

2. REVIEW OF LITERATURE

Dr. Bimal Jaiswal (2023) In India product is rule explanation behind economy since over 70% of the total masses is busy with fundamental portion direct or by suggestion. The cash related returns are concerned, that this portion for the incredible returns generally to the others. In India the gold is seen as the most conceivable part of hypothesis. It has been a backbone of obvious, storable and transportable wealth. Regardless, the adjustments in its costs impact an odd condition in one to feature. In this it oversees alternate points of view joined to gold like its significance, purposes behind esteem fluctuation and impact on India economy in the periods of overall crisis. Sharing in gold is maybe a way to deal with keep up getting power. The obtaining vitality of gold additions as the veritable market cost of gold augmentations and decreases. Gold takes after a position of asylum for theorists especially at the surge of the worldwide monetary Inflation. This prompts a creating design where traders and examiners set aside huge proportions of their advantages into the gold portfolio.

P. Prakash and Dr.S. Sundararajan (2022) In this article the writer clarifies about the association among gold and silver over the 2001-2013 periods, where this period includes a definite broad scope of monetary conditions, political change and expanded advancement in resources advertises by and large. Gold and silver have verifiably been viewed as close choices for each other, however both are valuable metal with differentiating hazard. Gold is more alluring than the silver as a venture road. The brokers must not arrive when the market will have high unpredictability conditions. It is demonstrated that the best elective wellspring of speculation is gold if the financial specialists are prepared to go for broke. Putting resources into gold and silver has high hazard however coordinating to returns both brings the significant yields. The financial specialists ought not purchase the ware all at a once on the grounds that the value changes each second, consequently the speculators should purchase in little amounts to purchase more when it goes down. On the off chance that the speculator is enthusiasm for transient increases it is prudent to for Gold Avenue and the silver as a ware has positive effect on the gold market.

Mr. P. Periasamy (2022) The maker has picked the particular gadgets like RSI, EMA, ROC, MACD and SMA with a particular ultimate objective to separate the non-plant thing promote. In gold SMA exhibits period, the thing promote is increasingly erratic and only assumption of significant worth improvement can be given and it isn't possible to give the right future esteem advancement about the associations. The money related expert should hold up to the completion of the bear market to make their hypothesis approach. The acquiring decision should be made exactly when there is certain sign after the bear promote. From the latest three years esteem advancements of each item clears up that money related pros are satisfied from the benefits from enthusiasm for products. A budgetary pro can be triumphs exactly when they can pick the right things at the ideal time.

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Rahul Oberoi (2013) In this article the essential division of an economy is worried about the horticultural (soya oil, espresso, palm oil, pepper and cashew nuts)and the non-farming products are worried about the (copper, zinc, nickel, lead, aluminum, tin, gold, silver, raw petroleum, flammable gas) . India is a noteworthy player in the product showcase. Every one of the wares are exchanged everywhere throughout the world and the cost relies upon the free market activity of the ware. Keys of the wares markets are accessibility of the assets and interest for the product showcase. The financial specialists are encouraged to purchase the product in bearish market and to move in bullish market.

George Skiadopoulos (2012) The creator clarifies about the expansion of the ventures where the financial specialists are all the more focusing on the elective accessibility of the contributing roads. Here the items considered as blasting division which has been pulled in by the financial specialists. There are three components that is the amount of broadening advantage is picked up in light of the fact that there is an issue in inspect out of test execution of the product and the exchange cost is higher. The second component is the profits on the wares this is hard to conjecture.

Brajesh Kumar (2011) The article is about the product assessing conduct. The things considered in the examination stretch out from the agribusiness products (soybean and corn), to present day metals (Aluminum, copper and zinc), profitable metals (gold and silver) and essentialness products (Brent Unrefined oil and combustible gas). At the examination India was acquiring a more noteworthy measure of profitable metals, Indus preliminary metals and essentialness items. India is eating up 20-25% of total age in the gold part and moreover an overall client of silver. India stays in second spot eating up grungy oil after US. As there is significant use the esteem unsteadiness effects on the product exhibit quickly and the market is two fragile.

Narender I Ahuja (2011) The creator clarifies about the expansion of the ventures where the speculators are all the more focusing on the elective accessibility of the contributing roads. Here the items considered as blasting part which has been pulled in by the financial specialists. There are three components that is the amount of enhancement advantage is picked up on the grounds that there is an issue in inspect out of test execution of the product and the exchange cost is higher. The second component is the profits on the products this is hard to conjecture. The third component is the edge on the products; this will influence the item future exchanging. It is presumed that putting resources into the ware showcase includes the high hazard.

- ❖ To understand the about major exchanges trading in Indian commodity market.
- ❖ To know about the participants in Indian derivative market.
- ❖ To understand the basics of commodity market and to discover the emerging prospects (Gold, Copper and Silver) In the Indian commodity market.
- ❖ To emphasize trading and settlement mechanism for commodities (Gold, Copper and Silver) In Indian stock exchange.
- ❖ To identify the working procedure of the commodity trading practices in India.

OBJECTIVES:

HO: There is no significant relation between bullion commodities risk & return and market risk & return.

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3. RESEARCH METHODOLOGY

Need for the Study:

One of the single best things you can do to further your education in trading commodities is to keep thorough records of your trades. Maintaining good records requires discipline, just like good trading. Unfortunately, many commodity traders don't take the time to track their trading history, which can offer a wealth of information to improve their odds

of success Most professional traders, and those who consistently make money from trading commodities, keep diligent records of their trading activity. The same cannot be said for the masses that consistently lose at trading commodities.

Scope Of the Study:

The study mainly focuses on Indian commodity market, its history and latest developments in the country in commodities market (Gold, Copper and Silver). The study also keeps a birds-eye view on global commodity market and its development. The study vastly covered the aspects of commodity trading (Gold, Copper and Silver), clearing and Settlement mechanisms in Indian commodity exchanges. The scope of the study is limited to Indian commodity market

Data Collection Methods:

Primary Data:

Primary data was collected in the form of questionnaire collected from the companies. Questionnaire consists of both open ended and close-ended questions.

Secondary Data:

Secondary was collected from the various sources such as

- Publications of the company
- Business magazines
- Journal, text books

Period of Study:

The period of the present study is consisting of one month ranging from 1st jan.2022 to 31st Jan.2023. The time period of the study is confined to 3 months for price trend of commodities.

Tools used for research:

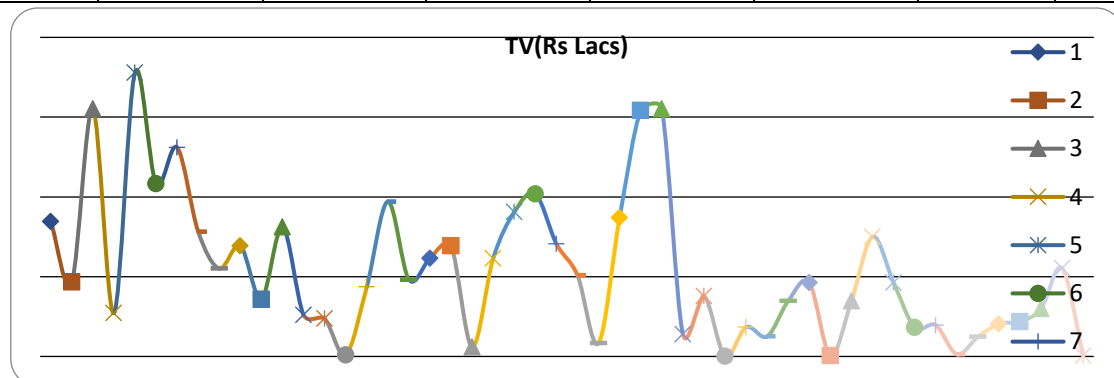
- Line diagram Graphs

4. DATA ANALYSIS & INTERPRETATION

Multi Commodities Exchange of India Ltd (MCX) Copper Price:

Date	Open (Rs.)	High (Rs.)	Low (Rs.)	Close (Rs.)	TQ	TV (Rs Lacs)	OI (In Lots)
20-01-2023	453.65	453.80	451.70	451.95	103000	466.35	411
17-01-2023	452.95	456.00	451.55	454.35	342000	1,552.84	419
16-01-2023	452.70	453.00	452.60	452.95	60000	271.71	302
15-01-2023	448.90	453.40	448.30	453.20	395000	1,779.88	285
14-01-2023	449.90	453.70	448.50	449.10	240000	1,082.41	241
13-01-2023	448.85	451.50	448.05	450.85	291000	1,310.11	247
10-01-2023	447.75	448.50	445.40	447.70	175000	781.95	307
09-01-2023	446.80	449.55	446.30	448.30	123000	550.93	357
08-01-2023	449.50	450.40	445.00	446.60	155000	693.56	393
07-01-2023	448.50	449.20	447.00	448.25	80000	358.51	402
06-01-2023	449.90	451.00	448.10	448.55	180000	810.88	408
03-01-2023	447.70	450.20	447.55	449.75	58000	260.28	334
02-01-2023	448.10	448.75	446.50	446.65	53000	237.12	345
01-01-2023	448.90	448.90	448.90	448.90	2000	8.98	346
31-12-2022	448.10	450.70	447.80	448.60	97000	435.70	345
30-12-2022	447.90	450.05	445.60	449.15	217000	971.06	342
27-12-2022	451.95	452.00	448.15	448.40	107000	481.41	340
26-12-2022	449.95	451.05	447.50	450.80	137000	615.36	332

24-12-2022	456.05	456.40	449.65	449.95	153000	692.38	330
23-12-2022	454.40	454.80	454.25	454.55	13000	59.08	304
20-12-2022	456.65	457.15	454.05	454.30	135000	614.91	299
19-12-2022	456.15	459.45	455.60	457.25	198000	905.06	285
18-12-2022	456.95	459.20	455.50	455.60	223000	1,019.13	291
17-12-2022	459.70	460.00	456.30	457.25	154000	705.83	260
16-12-2022	458.10	459.00	456.30	458.65	111000	507.85	240
13-12-2022	458.90	459.25	458.55	458.95	18000	82.60	224
12-12-2022	456.10	459.80	455.50	458.40	190000	870.65	222
11-12-2022	460.35	462.20	457.00	457.30	335000	1,542.52	206
10-12-2022	452.55	459.90	452.55	457.65	340000	1,553.12	151
09-12-2022	451.05	451.70	450.65	451.40	31000	139.85	131
06-12-2022	449.25	451.70	448.20	451.45	84000	377.92	114
05-12-2022	447.45	447.45	447.45	447.45	0	0.00	105
04-12-2022	449.55	449.95	446.60	447.45	41000	183.67	105
03-12-2022	447.15	449.30	447.15	448.70	28000	125.61	109
02-12-2022	444.90	448.00	444.30	446.60	78000	347.55	109
29-11-2022	446.95	447.40	443.85	444.50	104000	462.72	119
28-11-2022	446.45	446.45	446.45	446.45	1000	4.46	121
27-11-2022	445.05	447.35	443.25	447.10	78000	347.26	121
26-11-2022	446.15	447.50	440.75	441.45	169000	749.97	124
25-11-2022	453.70	453.80	447.00	447.55	103000	463.06	113
22-11-2022	456.20	456.50	454.00	454.50	40000	182.10	82
21-11-2022	454.70	456.70	452.90	453.85	43000	195.63	77
20-11-2022	453.50	453.60	453.50	453.55	3000	13.61	76
19-11-2022	455.00	455.00	453.30	453.90	27000	122.61	78
18-11-2022	467.25	467.25	451.35	451.95	45000	203.83	77
14-11-2022	453.70	456.00	452.35	454.35	48000	218.12	77



Interpretation:

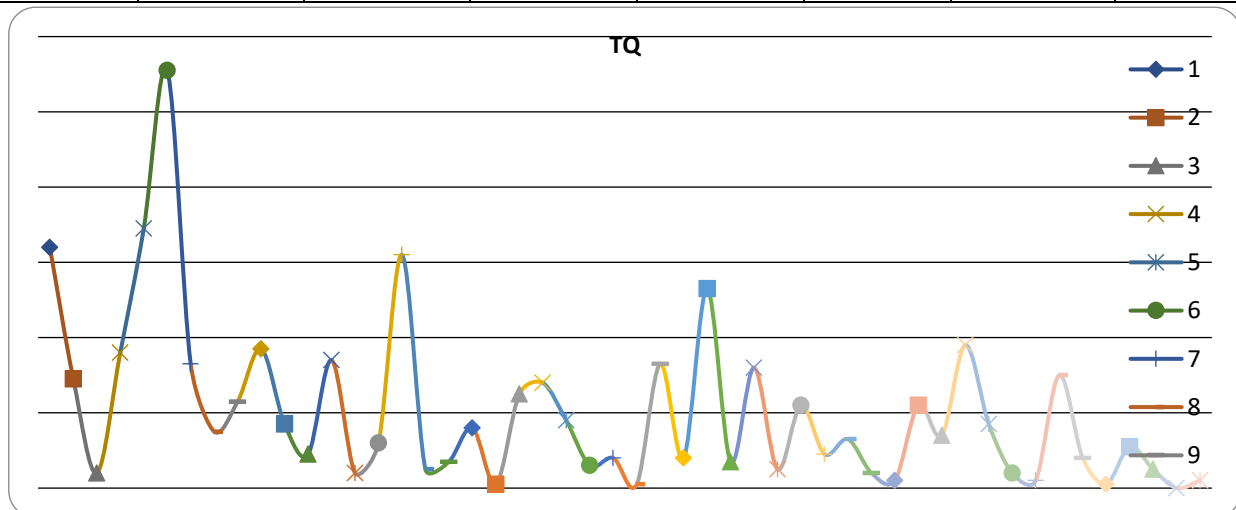
Loss $500 \times 2.85 = 1425$, Profit $500 \times 3.10 = 1550$.

Because buyer future price will increase so, he can get profit. Seller future price also increase so, profit decrease, Incase seller future will decrease, and he can get profit. The closing price of Copper Metal at the end of the contract period is 416.00 and this is considered as settlement price

Multi Commodities Exchange of India Ltd (MCX) Gold Price

Date	Open (Rs.)	High (Rs.)	Low (Rs.)	Close (Rs.)	TQ	TV (Rs Lacs)	OI (In Lots)
20-01-2023	31,630.00	31,708.00	31,425.00	31,460.00	69000	2,178.31	183
17-01-2023	31,655.00	31,683.00	31,410.00	31,652.00	111000	3,507.84	169
16-01-2023	31,713.00	31,713.00	31,583.00	31,658.00	33000	1,044.57	126
15-01-2023	31,714.00	31,739.00	31,646.00	31,678.00	15000	475.35	121
14-01-2023	31,810.00	31,825.00	31,664.00	31,726.00	23000	730.21	123
13-01-2023	32,059.00	32,059.00	31,816.00	31,866.00	37000	1,182.47	123
10-01-2023	32,174.00	32,190.00	32,036.00	32,082.00	17000	545.74	118
09-01-2023	32,800.00	32,800.00	32,116.00	32,226.00	9000	290.03	128
08-01-2023	32,124.00	32,214.00	32,066.00	32,135.00	34000	1,092.17	129
07-01-2023	32,038.00	32,072.00	32,038.00	32,060.00	4000	128.24	137
06-01-2023	32,115.00	32,149.00	32,057.00	32,093.00	12000	385.17	137
03-01-2023	32,125.00	32,190.00	31,990.00	32,182.00	62000	1,989.57	135
02-01-2023	32,320.00	32,320.00	32,263.00	32,291.00	5000	161.46	110
01-01-2023	32,280.00	32,298.00	32,266.00	32,285.00	7000	226.00	110
31-12-2022	32,279.00	32,280.00	32,160.00	32,202.00	16000	515.48	109
30-12-2022	32,234.00	32,234.00	32,234.00	32,234.00	1000	32.23	107
27-12-2022	32,291.00	32,360.00	32,181.00	32,237.00	25000	807.36	107
26-12-2022	32,190.00	32,360.00	32,172.00	32,345.00	28000	903.13	104
24-12-2022	32,229.00	32,300.00	32,181.00	32,213.00	18000	580.28	90
23-12-2022	32,270.00	32,273.00	32,220.00	32,246.00	6000	193.47	82
20-12-2022	32,325.00	32,379.00	32,200.00	32,309.00	8000	258.48	84
19-12-2022	32,270.00	32,270.00	32,270.00	32,270.00	1000	32.27	79
18-12-2022	32,150.00	32,212.00	32,050.00	32,151.00	33000	1,060.68	79
17-12-2022	32,529.00	32,529.00	32,264.00	32,417.00	8000	259.33	76
16-12-2022	32,050.00	32,468.00	32,050.00	32,414.00	53000	1,713.79	74
13-12-2022	32,067.00	32,131.00	32,067.00	32,098.00	7000	224.68	80
12-12-2022	31,917.00	32,103.00	31,917.00	32,029.00	32000	1,024.07	75
11-12-2022	31,916.00	31,918.00	31,895.00	31,909.00	5000	159.55	77
10-12-2022	31,950.00	31,950.00	31,832.00	31,873.00	22000	701.85	75
09-12-2022	31,777.00	31,877.00	31,777.00	31,816.00	9000	286.34	62
06-12-2022	31,760.00	31,890.00	31,760.00	31,861.00	13000	414.10	60
05-12-2022	32,041.00	32,041.00	31,943.00	31,968.00	4000	127.87	60
04-12-2022	32,005.00	32,011.00	32,005.00	32,008.00	2000	64.02	58
03-12-2022	31,714.00	31,992.00	31,714.00	31,946.00	22000	701.28	58
02-12-2022	32,077.00	32,077.00	31,552.00	31,696.00	14000	444.81	58

29-11-2022	32,086.00	32,111.00	31,910.00	31,981.00	38000	1,217.23	55
28-11-2022	32,550.00	32,674.00	32,275.00	32,445.00	17000	552.56	35
27-11-2022	32,450.00	32,500.00	32,443.00	32,468.00	4000	129.87	33
26-11-2022	32,346.00	32,351.00	32,346.00	32,349.00	2000	64.70	30
25-11-2022	32,348.00	32,361.00	32,288.00	32,305.00	30000	969.04	30
22-11-2022	32,319.00	32,361.00	32,274.00	32,314.00	8000	258.51	17
21-11-2022	32,586.00	32,586.00	32,586.00	32,586.00	1000	32.59	15
20-11-2022	32,500.00	32,543.00	32,428.00	32,516.00	11000	357.66	14
19-11-2022	32,499.00	32,637.00	32,499.00	32,563.00	5000	162.82	7
18-11-2022	32,356.00	32,356.00	32,356.00	32,356.00	0	0.00	7
14-11-2022	32,360.00	32,360.00	32,351.00	32,356.00	2000	64.71	7



Interpretation:

Loss $500 \times 170.00 = 85000$, Profit $500 \times 283.00 = 141500$.

Because buyer future price will increase so, he can get profit. Seller future price also increase so, profit decrease, Incase seller future will decrease, and he can get profit. The closing price of Gold Metal at the end of the contract period is 31587.00 and this is considered as settlement price.

5. CONCLUSION

Commodities market, contrary to the beliefs of many people has been in existence in India through the ages. However the recent attempt by the Government to permit Multi-commodity National levels exchanges has indeed given it, a shot in the arm. Commodity includes all kinds of goods. FCRA defines “goods” as “every kind of movable property other than actionable claims, money and securities”. Futures trading are organized in such goods or commodities as are permitted by the Central Government. Firstly, the price movements are more predictable, purely based on demand and supply of that commodity, unlike in other markets where price manipulations are very much possible, hence the investor is fixed.

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