

Stock and commodity market

Chapter 5

Trading in stock market

Meaning of commodity trading

commodity trading is a market it links between the producer of commodities within the consumers it is mainly takes place in the primary product usually exchange

Types of commodity market

Commodity market aspect into two types hard and soft commodities

Hard commodities are typically natural they must be extracted gold rubber 17 varieties of commodities agriculture products rice wheat sugar Soya beans

Benefits of commodity market

- Price discovery
- Price risk management
- Import export competitiveness
- Predictable pricing
- Credit access ability
- Improve product quantity
- Diversification of risk
- Useful to producer
- Useful to consumer
- Commodity market are extremely transparent

Difference between daily settlement and final settlement

- Daily settlement is done at the end of the each trading day. The settlement is done at the contract expiry is final settlement
- Daily settlement is decided on the spot market. Final settlement is decided on the due date
- Daily settlement is market to market transaction is done. Trade and only when the contract is expired

Trading and settlement process is commodity market

- Commodity trading system order matching mechanism
- Commodity trading system trading hearing mechanism
- Commodity trading system clearing and settlement

### Size of commodity market

- Size of commodity market in 2007 physical export of commodities was increased by 17% otc over to the derivatives where 200% agriculture market commodity is 32% energy commodities hue 29% industrial metals by 30% precious metals with 3%
- Which of the Indian commodities market steps in the trading commodity choosing is a broker depositing the margin assessing the information and trading plan