

17BB326-COMMODITIES MARKET

Course Objective

The principal aim of this course is to provide students with both theoretical and applied knowledge related to commodities trading. The specific objective include

- To differentiate commodity from financial derivatives.
- To know application of commodity futures.
- To understand the price mechanism of commodity futures.
- To learn about NCDEX and regulatory frame work and taxation aspects of the commodities market.

Course Outcomes:

- The principal underlying commodity markets and how they operate
- Principal determinants of price in commodity markets
- Main players, their trading characteristics and objectives
- Commodity derivatives exchanges
- How contract settlement and delivery is achieved
- Trading, hedging and investment strategies

UNIT - I

Introduction to commodity derivatives

Introduction to derivatives, products, participants and functions, derivatives markets, difference between commodity and financial derivatives, NCDEX – Structure, clearing and settlement system and commodities traded on the NCDEX.

UNIT - II

Application of commodity futures and options

Instruments available for trading – forward contract, introduction to futures and option, pay off for futures and options, price commodity derivatives, cost of carry model, hedging, speculation and arbitrage.

UNIT - III

Trading, clearing and settlement

Trading – futures trading system, entities in the trading system, commodity futures trading cycle, order types and trading margins for trading in futures, charges, hedge limits.

UNIT - IV

Regulatory frame work of commodity derivatives

Rules governing commodity derivatives exchanges, participants, investor grievance and arbitration.

UNIT - V

Tax aspects

Implications of sales tax, value added tax (VAT) and obligations, Electronic spot exchange – NCDEX spot exchange Ltd (NSPOT).

Skill Development:

(These activities are only indicative, the Faculty member can innovate)

1. Case study on commodities market
2. Project work on the commodities
3. Group assignment

TEXT BOOK:

1. Indian Institute of Banking & Finance. Commodity Derivaties, 2007, Macmillan India Ltd.

REFERENCE BOOK:

- “Guide to Indian Commodity Market” by Ankit Galax Jitendra Gala – Publishing by – Buzzing Stock publishing house – 2007.