

**KEDIA | ADVISORY**

# **Fundamentals of Commodity Market**

**Atmanirbhar Trading Series - Session 2**

**13th June, 2020**

## ► About Us



**Mr. Ajay Kedia**

**Director,  
Kedia Advisory**

- ❑ **Incorporated in 2004, Kedia Advisory** is one of the leading **SEBI Registered Research** House having an unmatched and incomparable award winning research services with manifested pedigree of more than 15 years.
- ❑ Being a **Market Leader specialising in Commodities, Equity and Currency Markets**, our research and various reports including outlook and views on various products have been benefiting our clients immensely and helping them to take a better informed **decision for over 15 years now**.
- ❑ **Mr Ajay Kedia** ( Founder, Director ) has been instrumental and continues to be the guiding force since inception for setting up various processes and methodologies across various products including **technical and fundamental research** in **making our advisory division an award winning advisory division**.



## Recap

1. What is Commodity Market
1. Why Commodity Market is Important
1. Indian Commodity Exchanges
1. Commodities Traded on Exchanges
1. Classification of Commodities  
(Commodity Complex)
1. Lot sizes and contract specification
1. Benefits of Commodity Trading
1. Trading Opportunity

## 4/5. Classification of Commodities

(Commodity Complex)

**Following are the commodities traded in Indian Commodity markets.**

- METAL – Aluminium, Copper, Lead, Zinc, Nickel, Sponge Iron, Steel Long, Steel Flat, and Tin.
- SPICES – Cardamom, Jeera, Pepper, and Red Chilli.
- BULLION – Gold, Gold HNI, Gold M, i Gold, Silver, Silver HNI, and Silver M
- FIBER – Cotton L Staple, Cotton M Staple, Cotton Yarn, and Kapas.
- PULSES – Chana, Masur, Yellow Peas.
- ENERGY – Crude oil, Furnace Oil, and Natural Gas.
- Other commodities like maize, plantations, petrochemicals, oil and oil seeds.
- AGRICULTURE – Chana, Chilli, Coffee, Cotton Seed, Crude Palm Oil, Groundnut, Groundnut Oil, Guar Gum, Guar Seeds, Gur, Jeera, Kidney Beans, Masoor Grain Bold, Staple cotton, Mentha Oil, Mulberry Raw Silk, almond etc.
- BULLION – Gold 1 KG/100 gm, Silver 30KG/5 KG.
- ENERGY – Brent Crude Oil, Furnace Oil, Light Sweet Crude Oil.
- FERROUS METALS – Mild Steel Ingot.
- PLASTICS – Polypropylene, Linear Low Density Polyethylene, Polyvinyl Chloride.
- NON-FERROUS METALS – Aluminium Ingot, Copper Cathode, Nickel Ingot, Zinc Cathode.

## 4/5. Classification of Commodities

(Commodity Complex)

Complex	Exchange	Commodity
Bullion	MCX	Gold Goldmini GoldGuinea GoldPetal Silver Silvermini Silvermic
Energy	MCX	Crudeoil Natural Gas
Basemetals	MCX	Copper Zinc Nickel Lead Aluminium
Agro	MCX	Cardamom Cpo Cotton Menthaoil

Complex	Exchange	Commodity
Oilseed	NCDEX	Soyabean Soyoil Rmseed Castor
Spices	NCDEX	Dhaniya Jeera Turmeric
Others	NCDEX	Guargum Guarseed Chana Cocudakl Kapas Barley
Index	NCDEX	Agridex

## 6. Lot sizes and contract Specification

Commodity	Lot Size	Rate on Screen	Tick Size	Profit or Loss per Tick
Gold	1Kg	Rs./10Grm	Rs. 1	100.00
Goldmini	100 Gms	10 Gms	Rs. 1.00	10.00
GoldGuinea	8 Gms	8 Gms	Rs. 1.00	1.00
Gold Petal	1 Gm	1 Gm	Rs. 1.00	1.00
Silver	30 Kg	1 Kg	Rs. 1.00	30.00
Silverm	5 Kg	1 Kg	Rs. 1.00	5.00
Silvermic	1 Kg	1 Kg	Rs. 1.00	1.00
Crudeoil	100 Bbl	1 Bbl	Rs. 1.00	100.00
Natural Gas	1250 mmbtu	1 mmbtu	Rs. 0.10	125.00

Commodity	Lot Size	Rate on Screen	Tick Size	Profit or Loss per Tick
Copper	2500 Kg	1 Kg	Rs.0.05	125.00
Zinc	5 Mt	1 Kg	Rs.0.05	250.00
Nickel	1500 Kg	1 Kg	Rs.0.10	150.00
Lead	5 Mt	1 Kg	Rs.0.05	250.00
Aluminium	5 Mt	1 Kg	Rs.0.05	250.00
Cardamom	100 Kg	1 Kg	Rs. 0.10	10.00
Cotton	25 bales	1 bale	Rs. 10.00	250.00
Cpo	10 Mt	10 Kg	Rs. 0.10	100.00
Menthaoil	1080 Kg	1 Kg	Rs. 0.10	108.00

## 6. Lot sizes and contract Specification

Commodity	Lot Size	Rate on Screen	Tick Size	Profit or Loss per Tick
Soyabean	5 Mt	Rs / Quintal	Rs. 2.00	100.00
Soyoil	5 Mt	Rs / 10 Kg	Rs. 0.20	100.00
Rmseed	10 Mt	Rs / Quintal	Rs. 1.00	100.00
Castor	5 Mt	Rs / Quintal	Rs. 2.00	100.00
Dhaniya	10 Mt	Rs / Quintal	Rs. 1.00	100.00
Jeera	3 Mt	Rs / Quintal	Rs. 5.00	150.00
Turmeric	5 Mt	Rs / Quintal	Rs. 2.00	100.00

Commodity	Lot Size	Rate on Screen	Tick Size	Profit or Loss per Tick
Chana	10 Mt	Rs / Quintal	Rs.1.00	100.00
Cocudakl	10 Mt	Rs / Quintal	Rs. 1.00	100.00
Guargum5	5 Mt	Rs / Quintal	Rs. 1.00	50.00
Guarseed10	5 Mt	Rs / Quintal	Rs. 2.00	100.00
Kapas	1 Mt	Rs / 20 Kg	Rs. 0.50	100.00
Barley	10 Mt	Rs / Quintal	Rs. 0.50	50.00
Agridex	1 Lot	Rs / unit	Rs. 0.25	125.00

## 7. Benefits of Commodity Trading

- ❑ Transparency and fair price discovery
- ❑ Standardization of futures contracts
- ❑ Online and offline trading platforms available, even you can trade on Mobile
- ❑ Low margin commodity market comparison with equity
- ❑ Seasonality pattern in commodity
- ❑ Protection against inflation
- ❑ Global market participation in commodity
- ❑ No scope of manipulation in commodity market
- ❑ Commodity trading is done on simple and pure economics
- ❑ Easy to understand
- ❑ Cash settled / option of physical delivery
- ❑ Linked to global market
- ❑ Easy market timing (15hrs market)
- ❑ Easy access to information



## 8. Trading Opportunity

### ❖ **Pure Trading / Directional trading**

- Going Long / Going Short
- Trade based on Technical / Fundamental analysis
- Option trading

### ❖ **As an Investment (Short term / Long term)**

- Commodity as asset class
- Diversify your investment with commodity

### ❖ **Calendar Spread Trading**

- Price difference between 2 different contract of same commodity

### ❖ **Arbitrage Opportunities**

- Inter-Exchange / Spot-Future  
(Cash and Carry)



# Contents

- 1. **International reference rates and its conversions**  
(Bullion, Base Metals, Energy, Agri Complex)
- 1. **Economical Data Points that affect commodity market**
- 1. **Commodity Seasonality**
- 1. **Commodity Correlation / Commodity Ratios**
- 1. **Other Factor impact commodity prices**

# International Rates & Reference And its Conversions

Easy way to track and trade



## International Rates & Reference

- **Commodities are extremely important** as they are essential factors in the production of other goods.
- A wide array of commodities exist, including coffee, wheat, gold, and oil. These commodities are traded constantly on commodity exchanges around the world such as the **Chicago Mercantile Exchange**, The **London Metals Exchange**, and the **Intercontinental Exchange**.
- Reference exchange rate refers to the benchmark foreign exchange rates for Indian Rupee against **major four foreign currencies**, published by Reserve Bank of India on a daily basis.
- **Commodity price** instability has a **negative impact on economic** growth, countries' financial resources, and income distribution, and may lead to increased poverty instead of poverty alleviation.



# International Rates & Reference

INDICES							
<b>DJIA</b> <b>25400.00</b> H 25816.00 +369.00 L 24934.00 (+1.47%)	<b>S&amp;P 500</b> <b>3024.50</b> H 3076.75 +25.00 L 2971.00 (+0.83%)	<b>NASDAQ 100</b> <b>9633.00</b> H 9837.00 +29.50 L 9481.75 (+0.31%)	<b>RUSSELL 2000</b> <b>1376.70</b> H 1411.50 +23.00 L 1341.80 (+1.70%)	<b>NIKKEI 225</b> <b>22230.00</b> H 22510.00 +505.00 L 21730.00 (+2.32%)	<b>EURO STOXX 50</b> <b>3160.00</b> H 3209.00 +8.00 L 3089.00 (+0.25%)	<b>DAX</b> <b>12016.00</b> H 12175.50 -12.50 L 11794.50 (-0.10%)	<b>VIX</b> <b>35.00</b> H 42.55 -5.62 L 34.95 (-13.85%)
ENERGY						BONDS	
<b>CRUDE OIL WTI</b> <b>36.56</b> H 36.99 +0.22 L 34.48 (+0.61%)	<b>CRUDE OIL BRENT</b> <b>39.04</b> H 39.45 +0.49 L 37.01 (+1.27%)	<b>GASOLINE RBOB</b> <b>1.1261</b> H 1.1382 +0.0073 L 1.0741 (+0.65%)	<b>HEATING OIL</b> <b>1.1140</b> H 1.1250 +0.0260 L 1.0534 (+2.39%)	<b>NATURAL GAS</b> <b>1.7450</b> H 1.8220 -0.0680 L 1.7270 (-3.75%)	<b>ETHANOL</b> <b>1.1850</b> H 1.1990 -0.0070 L 1.1800 (-0.59%)	<b>30 YEAR BOND</b> <b>177.03</b> H 178.28 -1.31 L 176.69 (-0.74%)	<b>10 YEAR NOTE</b> <b>138.69</b> H 138.97 -0.36 L 138.56 (-0.26%)
SOFTS							
<b>COCOA</b> <b>2316.00</b> H 2347.00 +25.00 L 2283.00 (+1.09%)	<b>COTTON</b> <b>59.03</b> H 59.63 -0.46 L 58.88 (-0.77%)	<b>ORANGE JUICE</b> <b>122.65</b> H 129.00 -6.65 L 121.50 (-5.14%)	<b>COFFEE</b> <b>96.85</b> H 99.45 -0.85 L 96.70 (-0.87%)	<b>LUMBER</b> <b>353.30</b> H 360.10 +2.30 L 351.00 (+0.66%)	<b>SUGAR</b> <b>11.88</b> H 12.09 -0.06 L 11.60 (-0.50%)	<b>5 YEAR NOTE</b> <b>125.47</b> H 125.58 -0.12 L 125.41 (-0.10%)	<b>2 YEAR NOTE</b> <b>110.34</b> H 110.36 -0.02 L 110.30 (-0.02%)
METALS				MEATS			
<b>GOLD</b> <b>1737.30</b> H 1753.00 -2.50 L 1728.20 (-0.14%)	<b>SILVER</b> <b>17.59</b> H 17.87 -0.30 L 17.47 (-1.70%)	<b>PLATINUM</b> <b>820.40</b> H 844.50 -3.60 L 808.60 (-0.44%)	<b>COPPER</b> <b>2.6155</b> H 2.6230 +0.0290 L 2.5585 (+1.12%)	<b>PALLADIUM</b> <b>1928.00</b> H 1963.10 +17.90 L 1919.20 (+0.94%)	<b>LIVE CATTLE</b> <b>95.18</b> H 97.08 -1.28 L 95.15 (-1.32%)	<b>FEEDER CATTLE</b> <b>131.35</b> H 133.50 -0.83 L 130.65 (-0.62%)	<b>LEAN HOGS</b> <b>51.63</b> H 53.20 -0.50 L 51.55 (-0.96%)
GRAINS							
<b>SOYBEANS</b> <b>872.00</b> H 873.00 +6.00 L 863.50 (+0.69%)	<b>SOYBEAN MEAL</b> <b>289.10</b> H 292.80 -0.60 L 288.50 (-0.21%)	<b>SOYBEAN OIL</b> <b>27.54</b> H 27.78 +0.04 L 27.30 (+0.15%)	<b>CORN</b> <b>330.25</b> H 333.00 +0.50 L 328.25 (+0.15%)	<b>WHEAT</b> <b>501.25</b> H 504.75 +2.00 L 495.25 (+0.40%)	<b>ROUGH RICE</b> <b>16.07</b> H 16.07 +1.50 L 14.20 (+10.30%)	<b>OATS</b> <b>318.00</b> H 322.75 -1.00 L 315.00 (-0.31%)	<b>CANOLA</b> <b>469.50</b> H 470.30 +1.70 L 466.30 (+0.36%)
CURRENCIES							
<b>USD</b> <b>97.00</b> H 97.47 +0.28 L 96.49 (+0.29%)	<b>EUR</b> <b>1.1280</b> H 1.1365 -0.0022 L 1.1237 (-0.19%)	<b>JPY</b> <b>0.9328</b> H 0.9397 -0.0034 L 0.9312 (-0.37%)	<b>GBP</b> <b>1.2546</b> H 1.2660 -0.0049 L 1.2480 (-0.39%)	<b>CAD</b> <b>0.7359</b> H 0.7394 +0.0009 L 0.7318 (+0.12%)	<b>CHF</b> <b>1.0531</b> H 1.0627 -0.0071 L 1.0497 (-0.67%)	<b>AUD</b> <b>0.6863</b> H 0.6913 +0.0015 L 0.6800 (+0.22%)	<b>NZD</b> <b>0.6444</b> H 0.6474 +0.0027 L 0.6391 (+0.42%)

# International Rates & Reference

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## Real Time Commodity Futures Prices

Price Performance Technical Specification Candlestick Patterns Download Data

Commodity	Month	Last	High	Low	Chg.	Chg. %	Time
Gold	Aug 20	1,737.60	1,752.80	1,728.60	-2.20	-0.13%	12/06
XAU/USD		1,730.86	1,743.11	1,722.33	+3.30	+0.19%	12/06
Silver	Jul 20	17.580	17.867	17.473	-0.309	-1.73%	12/06
XAG/USD		17.489	17.752	17.391	-0.165	-0.93%	12/06
Copper	Jul 20	2.616	2.623	2.559	+0.029	+1.14%	12/06
Platinum	Jul 20	820.40	844.65	808.70	-3.60	-0.44%	12/06
Palladium	Sep 20	1,928.00	1,963.10	1,919.20	+17.90	+0.94%	12/06
Crude Oil WTI	Jul 20	36.48	36.98	34.49	+0.14	+0.39%	12/06
Brent Oil	Aug 20	38.95	39.44	37.00	+0.40	+1.04%	12/06
Natural Gas	Jul 20	1.744	1.821	1.728	-0.069	-3.81%	12/06
Heating Oil	Jul 20	1.1153	1.1247	1.0530	+0.0273	+2.51%	12/06
Gasoline RBOB	Jul 20	1.1282	1.1381	1.0738	+0.0094	+0.84%	12/06
London Gas Oil	Jul 20	330.88	334.13	312.13	-5.12	-1.52%	12/06
Aluminum		1,576.75	1,598.75	1,576.75	-18.25	-1.14%	12/06
MCX Zinc		1,988.25	2,018.75	1,975.25	-3.75	-0.19%	12/06
MCX Lead		1,750.00	1,769.75	1,723.50	+12.25	+0.70%	12/06

# International Rates & Reference

## GOLD CONVERSIÓN

a.	Gold Comex	
		1730.00
b.	CIF Charges	
		1.00
c.	Conversion into Kg	
		55,652.95
		$=(a+b)*(1000/31.10347)$
d.	Conversion into Indian Purity	55,430.12
		$=c/999*995$
e.	Exchange Rate	
		76.05
f.	Converted	$=d*e$
		42,15,460.61
g.	Import Duty ( $f*0.125*$ )	
		5,269,32.58
h.	Net Price Of MCX Gold	

## CRUDE OIL CONVERSION

WTI CRUDE OIL \* USDINR = MCX CRUDEOIL  
(Eg:  $36.56\$ * 76.05 = 2780$ )

## NATURAL GAS CONVERSION

NYMEX NATURAL GAS \* USDINR = MCX NATURAL GAS  
(Eg:  $1.7450*76.05 = 132.70$ )

## COPPER CONVERSIÓN

(LME COPPER \* USDINR) / 1000 = MCX COPPER  
(Eg:  $(5780 * 76.05) / 1000 = 439.60$ )

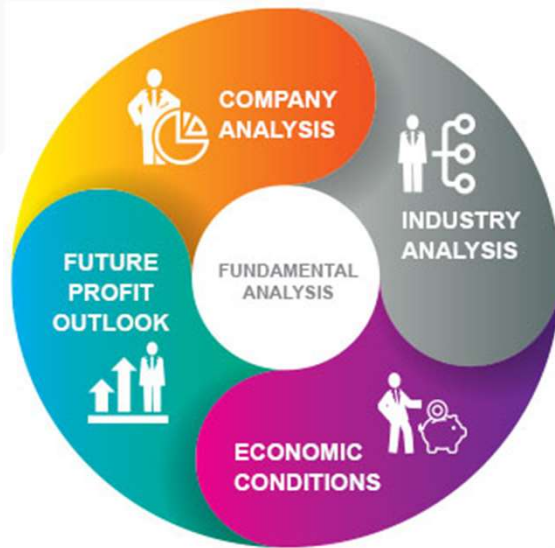
# Economical Data Points that affect commodity market

An easy way to trade in Commodity vs Equity market





# Economical Data Points that affect Commodity Market



OVERVALUED



# Economical Data Points that affect Commodity Market

- An **economic indicator** is a **macroeconomic measurement** used by analysts to understand current and future economic activity and opportunity.
- The most widely-used economic indicators come from **data released by the government** and non-profit organizations or universities.
- **Indicators can be leading**—which tend to precede trends, **lagging**—which confirm trends, or **coincident**—that which is happening now.

Date	9:18pm	Currency	Impact	
Mon Jun 1	7:30pm	USD	🔴	ISM Manufacturing PMI
Tue Jun 2				
Wed Jun 3	2:00pm	GBP	🔴	Final Services PMI
	All Day	All	🔴	G7 Meetings
	5:45pm	USD	🔴	ADP Non-Farm Employment Change
	7:30pm	USD	🔴	ISM Non-Manufacturing PMI
Thu Jun 4	5:15pm	EUR	🔴	Main Refinancing Rate
		EUR	🔴	Monetary Policy Statement
	6:00pm	EUR	🔴	ECB Press Conference
Fri Jun 5	6:00pm	USD	🔴	Average Hourly Earnings m/m
		USD	🔴	Non-Farm Employment Change
		USD	🔴	Unemployment Rate
Sat Jun 6	All Day	All	🔴	OPEC Meetings
	All Day	All	🔴	OPEC-JMMC Meetings
Sun Jun 7	8:36am	CNY	🔴	Trade Balance
Mon Jun 8	7:15pm	EUR	🔴	ECB President Lagarde Speaks
Tue Jun 9				
Wed Jun 10	6:00pm	USD	🔴	CPI m/m
		USD	🔴	Core CPI m/m
	11:30pm	USD	🔴	FOMC Economic Projections
		USD	🔴	FOMC Statement
		USD	🔴	Federal Funds Rate
Thu Jun 11	12:00am	USD	🔴	FOMC Press Conference

# Other Factors Impacting Commodity Prices

## 12 Factors Affecting Gold Prices

There are various factors affecting the price of gold. Let's look at some factors below:

1. Demand and Supply:
2. Inflation:
3. Central Bank of India: Bank's decision to buy or sell gold
4. Interest rates:
5. Monsoon:
6. Import Duty:
7. Indian Jewellery market:
8. Government Reserves:
9. Currency fluctuations:
10. Protection from volatility or uncertainty:
11. Correlation with other assets:
12. Geopolitical factors:

# Commodity Seasonality

Commodity follows Seasonality while  
Equity does not



# Commodity Seasonality

## History Says Now Is A Great Time To Buy Commodities

*S&P Commodity Index to S&P 500*



Source: Bloomberg



# Commodity Seasonality

- Seasonality refers to predictable changes that occur over a one-year period in a business or economy based on the seasons including calendar or commercial seasons.
- Seasonality can be used to help analyze stocks and economic trends.
- Companies can use seasonality to help determine certain business decisions such as inventories and staffing.
- One example of a seasonal measure is gold, which typically sees higher demand in the last quarter of the calendar year, on account of Diwali.

Year	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	Growth
2011	43440	49850	55970	70507	57919	50143	58896	44115	51111	56427	55520	51029	4812.00
	-5.58	14.23	12.28	25.97	-17.85	-12.01	15.57	8.84	-20.28	10.40	-1.41	-8.09	10.41
2012	54422	57783	54790	54482	54110	51987	53974	58408	62780	59881	61185	57844	4835.00
	10.57	2.41	-1.72	-0.54	-4.20	-3.92	3.82	8.22	7.49	-4.62	2.18	-5.43	13.39
2013	57849	53267	53072	44833	43414	40208	41520	53212	49148	48431	44274	43833	-14031.00
	-0.03	-7.92	-0.37	-15.82	-2.71	-7.81	3.24	28.14	-7.44	-1.46	-8.58	-1.00	-24.25
2014	43309	44342	42805	41329	40851	44114	44399	42255	38516	35797	34527	35990	-7843.00
	-1.20	7.05	-7.47	-3.45	-1.14	7.99	0.45	-4.83	-8.85	-7.04	-3.55	4.24	-17.89
2015	38105	36716	37169	34515	38349	35536	34025	34581	34547	34490	33480	33299	-2691.00
	5.88	-3.45	1.23	-1.74	5.02	-7.34	-4.25	1.43	-0.10	5.42	-8.25	-0.54	-7.48
2016	34750	34081	34751	41564	38400	43467	47480	43988	45726	42402	40089	39485	6184.00
	4.34	3.83	1.84	13.10	-7.42	13.20	9.23	-7.35	3.95	-7.27	-5.45	-1.51	18.58
2017	41911	43247	42324	39503	40094	38344	38445	39798	39457	38818	37532	39000	-485.00
	6.14	3.19	-2.13	-6.47	1.50	-4.37	0.78	2.98	-0.86	-1.62	-3.31	3.91	-1.23
2018	39319	38244	38322	38442	39904	39228	38321	37482	38577	38050	34025	38821	-179.00
	0.82	-2.73	0.20	0.84	3.27	-1.49	-2.31	2.92	2.92	-1.37	-5.32	7.76	-0.46
2019	40439	39740	37741	37714	34449	37452	41227	44774	44119	44744	44504	44711	7890.00
	4.17	-1.48	-5.03	-0.12	-5.35	2.75	10.08	13.44	-5.48	4.00	-4.83	4.95	20.32
2020	46989	43979	39520	41390	50118								3407.00
	0.40	-6.41	-10.14	4.73	21.09								7.29
Average	1.91	0.85	-0.43	1.77	-0.23	-1.21	3.34	5.49	-2.24	1.12	-2.28	1.18	Average

Year	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	Crop Calendar
2012	1565.90	2005.70	2453.80	1539.70	1198.10	1222.50	1308.70	1330.70	1162.20	1173.80	1351.40	1414.20	109.50
	19.84	28.09	22.34	-37.25	-22.19	2.04	7.05	1.48	-12.44	1.00	15.13	4.80	8.38
2013	1473.50	1385.00	1215.60	1092.90	1041.20	1097.50	964.40	1037.00	971.80	941.00	970.50	942.60	-473.40
	4.05	-4.01	-12.23	-10.09	-4.73	5.41	-12.13	7.53	-4.29	-3.17	3.13	-2.87	-33.44
2014	823.00	793.30	895.10	838.50	901.50	798.40	777.70	684.40	750.40	767.80	780.50	834.90	-105.70
	-12.49	-3.41	12.83	-4.32	7.51	-11.41	-2.42	-12.00	9.67	2.29	1.45	7.23	-11.21
2015	857.40	782.00	723.60	998.90	1028.80	1152.90	1028.80	1078.80	1027.80	1033.30	1044.70	904.70	67.80
	2.45	-8.79	-7.47	38.05	2.99	12.06	-10.76	4.86	-4.73	0.54	1.10	-13.40	8.10
2016	1015.70	1062.60	997.40	997.50	1003.80	832.80	906.40	905.30	868.10	926.30	959.60	1006.20	101.50
	12.27	4.42	-6.14	0.01	0.63	-17.04	8.84	-0.12	-4.11	6.70	3.59	4.86	11.22
2017	1123.90	1148.50	1129.50	925.90	1062.20	1005.10	1210.50	1347.60	1330.70	1454.10	1985.60	1970.90	964.70
	11.70	2.19	-1.45	-18.03	14.72	-5.38	20.44	11.33	-1.25	9.42	36.36	-0.74	95.88
2018	1539.90	1295.40	1305.50	1281.90	1124.90	1219.50	1552.60	1812.40	1681.00	1815.20	1848.00	1566.10	-404.80
	-21.87	-15.88	0.78	-1.81	-12.25	8.41	27.31	16.73	-7.25	7.98	1.81	-15.25	-20.54
2019	1555.90	1629.10	1580.10	1367.60	1291.60	1247.50	1278.70	1298.00	1253.90	1217.10	1272.70	1305.50	-260.60
	-0.65	4.70	-3.01	-13.45	-5.56	-3.41	2.50	1.51	-3.40	-2.93	4.57	2.58	-16.64
2020	1203.60	1183.80	1104.90	1178.90	1069.10								-236.40
	-7.81	-1.65	-6.66	6.70	-9.31								-18.11
Average	0.29	0.15	1.47	-2.69	-4.98	-0.42	5.21	5.09	0.34	4.94	7.54	-1.84	Average

# Commodity Seasonality

GOLD PRICE MOVEMENT SINCE 2011													
Year	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	Growth
2011	19922	20923	20693	22820	22426	21904	23166	27184	25989	27343	29061	27329	6601.00
	-3.89	5.02	-1.10	10.28	-1.73	-2.33	5.76	17.34	-4.40	5.21	6.28	-5.96	31.85
2012	28078	27952	28518	29183	29148	29665	29749	31206	31535	31105	31076	30859	3530.00
	2.74	-0.45	2.02	2.33	-0.12	1.77	0.28	4.90	1.05	-1.36	-0.09	-0.70	12.92
2013	29871	29570	29394	26905	26874	25669	28207	35074	29874	29793	29234	28364	-2495.00
	-3.20	-1.01	-0.60	-8.47	-0.12	-4.48	9.89	24.35	-14.83	-0.27	-1.88	-2.98	-8.09
2014	29462	30090	28536	28887	26863	27776	27818	27996	26313	25881	25835	26703	-1661.00
	3.87	2.13	-5.16	1.23	-7.01	3.40	0.15	0.64	-6.01	-1.64	-0.18	3.36	-5.86
2015	27895	26477	26204	26716	26860	26471	24813	26682	25856	26499	25069	24931	-1772.00
	4.46	-5.08	-1.03	1.95	0.54	-1.45	-6.26	7.53	-3.10	2.49	-5.40	-0.55	-6.64
2016	26638	29513	28549	30266	28627	31199	31549	30724	30742	29950	28385	27445	2514.00
	6.85	10.79	-3.27	6.01	-5.42	8.98	1.12	-2.61	0.06	-2.58	-5.23	-3.31	10.08
2017	28942	29566	28463	28873	28843	28439	28557	29745	29557	29153	29012	29000	1555.00
	5.45	2.16	-3.73	1.44	-0.10	-1.40	0.41	4.16	-0.63	-1.37	-0.48	-0.04	5.67
2018	30117	30379	30408	31036	30831	30432	29653	30129	30481	31748	30240	31391	2391.00
	3.85	0.87	0.10	2.07	-0.66	-1.29	-2.56	1.61	1.17	4.16	-4.75	3.81	8.24
2019	33096	33286	31998	31756	32266	34206	35420	38805	37323	38578	38031	39108	7717.00
	5.43	0.57	-3.87	-0.76	1.61	6.01	3.55	9.56	-3.82	3.36	-1.42	2.83	24.58
2020	41000	41397	43000	44906	46654								7546.00
	4.84	0.97	3.87	4.43	3.89								19.30
Average	2.50	1.78	-1.43	2.33	-0.16	1.18	0.66	7.51	-3.10	1.21	-0.94	-0.26	Average

# Commodity Seasonality

CRUDE OIL PRICE MOVEMENT SINCE 2011

	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	Growth
2011	4229 3.45	4444 5.08	4744 6.75	5047 6.39	4631 -8.24	4241 -8.42	4237 -0.09	4081 -3.48	3995 -2.11	4516 13.04	5219 15.57	5294 1.48	1208.00 28.56
2012	4927 -6.97	5227 6.09	5274 0.90	5514 4.55	4919 -10.79	4495 -4.55	4921 4.81	5358 8.88	4887 -8.79	4444 -4.52	4838 3.69	5015 3.44	-281.00 -5.31
2013	5202 3.73	5074 -2.42	5400 6.38	5014 -7.15	5273 5.17	5743 9.29	6409 11.21	7244 13.04	6440 -11.12	5994 -6.89	5839 -2.62	4122 4.85	1107.00 22.07
2014	4149 0.77	4371 3.27	4119 -3.96	4015 -1.70	4104 1.51	4337 3.78	4004 -5.22	5831 -2.91	5473 -2.71	4931 -13.08	4210 -14.62	3349 -19.98	-2753.00 -44.97
2015	2855 -15.26	3044 7.32	3025 -1.27	3790 25.29	3869 2.08	3776 -2.40	3038 -19.54	3230 4.32	2979 -7.77	3048 2.99	2798 -8.80	2493 -10.90	-876.00 -24.00
2016	2286 -8.30	2321 1.53	2572 10.81	3035 18.00	3333 9.82	3304 -0.87	2782 -15.80	3003 7.94	3212 6.96	3153 -1.84	3377 7.10	3541 4.84	1048.00 42.04
2017	3614 2.06	3564 -1.33	3284 -7.91	3174 -3.35	3127 -1.48	2948 -5.08	3183 7.24	3038 -4.54	3373 11.03	3528 4.40	3487 4.51	3850 4.42	309.00 8.73
2018	4112 4.81	4093 -0.46	4234 3.44	4583 8.24	4517 -1.44	5084 12.40	4734 -6.92	4959 4.75	5335 7.58	4892 -8.30	3574 -24.90	3170 -11.35	-480.00 -17.46
2019	3869 22.05	4090 5.71	4185 2.32	4467 6.74	4477 0.23	3775 -15.49	4095 8.48	4032 -1.54	3958 -1.97	3880 -0.70	3980 3.30	4584 10.20	1214.00 38.36
2020	3483 -14.03	3263 -11.40	1689 -48.24	1315 -22.14	2544 94.98								-1822.00 -41.54
Average	-1.55	2.00	-2.59	3.32	6.09	1.45	-2.21	2.24	-0.48	-1.36	-1.07	-0.84	Average

NATURAL GAS PRICE MOVEMENT SINCE 2011

Year	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	Growth
2011	200.20 1.21	185.70 -7.24	197.40 6.30	208.30 5.52	211.40 1.49	196.00 -7.28	185.10 -5.56	185.40 0.27	184.40 -0.45	191.80 4.01	187.70 -2.14	161.50 -13.96	-36.30 -18.35
2012	125.40 -22.35	128.70 2.63	110.20 -14.37	120.70 9.53	140.20 16.16	155.90 11.20	178.50 14.50	155.50 -12.89	174.10 13.25	201.90 14.45	195.80 -3.02	184.90 -5.57	23.40 14.49
2013	178.20 -3.42	191.10 7.24	221.90 16.12	232.40 4.82	227.70 -2.11	214.80 -5.67	210.80 -1.86	239.50 13.61	223.80 -6.56	244.70 -0.36	246.70 10.63	245.50 7.42	80.60 43.59
2014	302.40 13.97	288.10 -4.79	242.50 -8.89	292.40 11.47	271.20 -7.31	249.90 -0.48	237.40 -11.97	246.90 3.91	257.80 4.41	239.90 -6.94	259.30 8.09	189.10 -27.07	-74.40 -28.78
2015	168.40 -10.95	167.70 -0.42	167.00 -0.42	175.40 5.15	169.80 -3.30	179.90 5.95	174.80 -2.83	178.70 2.23	164.70 -6.72	152.00 -8.82	150.30 -1.12	155.90 3.73	-33.20 -17.56
2016	155.90 0.00	118.10 -24.25	129.90 9.99	143.80 10.70	155.00 7.79	197.30 27.29	192.90 -2.23	194.40 0.78	194.00 -0.21	204.10 5.21	229.40 12.49	252.00 9.74	96.10 61.64
2017	212.80 -15.56	185.00 -13.06	205.80 11.24	212.10 3.04	198.40 -6.36	193.80 -2.42	180.00 -7.12	194.80 8.22	198.40 1.85	187.80 -5.34	197.10 4.95	189.70 -3.75	-62.30 -24.72
2018	190.50 0.42	175.90 -7.64	179.40 1.99	183.80 2.45	199.50 8.54	200.80 0.65	192.80 -3.98	206.90 7.31	218.00 5.86	241.40 10.83	317.40 31.37	212.20 -33.14	22.50 11.86
2019	201.50 -5.04	199.50 -0.99	184.70 -6.42	180.80 -3.16	172.30 -4.70	140.50 -6.85	155.10 -3.36	144.00 5.74	145.80 1.10	187.00 12.79	167.20 -10.59	155.50 -7.00	-54.70 -24.72
2020	132.40 -14.86	124.30 -6.12	131.50 5.79	144.20 9.66	135.90 -5.76								-19.40 -12.60
Average	-5.84	-5.48	0.16	5.30	1.84	2.84	-1.92	0.94	0.74	3.39	5.38	-6.73	Average

CHANA PRICE MOVEMENT SINCE 2012

Year	Growth		Harvesting							Sowing		Growth	Crop Calendar	
	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC		
2012	3150.00	3700.00	3432.50	3720.00	4182.50	4232.50	4700.00	4660.00	4225.00	4505.00	4242.50	3790.00	580.00	
	-1.87	17.46	-7.23	8.38	12.43	1.20	11.05	-0.85	-9.33	6.63	-5.83	-10.67	18.07	
2013	3750.00	3400.00	3287.50	3305.00	3175.00	3000.00	2635.00	3160.00	2825.00	2940.00	2950.00	2850.00	-940.00	
	-1.06	-9.33	-3.31	0.53	-3.93	-5.51	-12.17	19.92	-10.60	4.07	0.34	-3.39	-24.80	
2014	2800.00	3025.00	3125.00	2950.00	2780.00	2775.00	2750.00	2800.00	2740.00	2950.00	2900.00	3455.00	605.00	
	-1.75	8.04	3.31	-5.60	-5.76	-0.18	-0.90	1.82	-2.14	7.66	-1.69	19.14	21.23	
2015	3425.00	3470.00	3425.00	4100.00	4617.50	4150.00	4465.00	4695.00	4750.00	4750.00	5165.00	4800.00	1345.00	
	-0.87	1.31	-1.30	19.71	12.62	-10.12	7.59	5.15	1.17	0.00	8.74	-7.07	38.93	
2016	4600.00	4634.00	4714.45	5722.20	6200.00	8152.10	8368.00	8111.00	Contract Not Available				3311.00	
	-4.17	0.74	1.74	21.38	8.35	31.49	2.65	-3.07					66.98	
2017	Contract Not Available							6196.00	5676.00	4804.00	4715.00	3824.00	-4287.00	
								26.40	-8.39	-15.36	-1.85	-18.90	-52.85	
2018	3882.00	3665.00	3788.00	3494.00	3545.00	3514.00	4253.00	3989.00	4105.00	4035.00	4706.00	4350.00	526.00	
	1.52	-5.59	3.36	-7.76	1.46	-0.87	21.03	-6.68	3.43	-1.71	16.63	-7.56	13.76	
2019	4210.00	3665.00	4345.00	4327.00	4656.00	4213.00	4313.00	4015.00	4256.00	4455.00	4387.00	4495.00	145.00	
	-3.22	-12.95	18.55	-0.41	7.60	-9.51	2.37	-6.91	6.00	4.68	-1.53	2.46	3.33	
2020	3988.00	3971.00	4139.00	4247.00	4103.00									-392.00
	-11.28	-0.43	4.23	2.61	-3.39									-8.72
Average	-1.97	-0.30	1.34	3.77	4.40	2.06	5.66	1.45	-1.49	4.45	0.60	0.09	Average	

DHANIYA PRICE MOVEMENT SINCE 2012

Year	Harvesting					Sowing					Growth	Crop Calendar	
	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV		DEC
2012	3937.00	4517.00	4214.00	3880.00	3705.00	3631.00	4710.00	4071.00	3924.00	4434.00	5018.00	5489.00	1360.00
	-4.65	14.73	-6.71	-7.93	-4.51	-2.00	29.72	-13.57	-3.61	13.00	13.17	9.39	32.94
2013	6864.00	6566.00	6743.00	6877.00	6745.00	6537.00	5232.00	5728.00	5792.00	6806.00	7566.00	8063.00	2574.00
	25.05	-4.34	2.70	1.99	-1.92	-3.08	-19.96	9.48	1.12	17.51	11.17	6.57	46.89
2014	8278.00	9440.00	9530.00	9373.00	9504.00	11098.00	11825.00	11912.00	12146.00	12029.00	12856.00	11611.00	3548.00
	2.67	14.04	0.95	-1.65	1.40	16.77	6.55	0.74	1.96	-0.96	6.88	-9.68	44.00
2015	7845.00	6268.00	8708.00	10775.00	13335.00	11964.00	11433.00	11034.00	11366.00	9807.00	10130.00	7724.00	-3887.00
	-32.43	-20.10	38.93	23.74	23.76	-10.28	-4.44	-3.49	3.01	-13.72	3.29	-23.75	-33.48
2016	6351.00	6445.00	7066.00	7167.00	6890.00	7314.00	8384.00	8105.00	7497.00	7455.00	8007.00	7925.00	201.00
	-17.78	1.48	9.64	1.43	-3.86	6.15	14.63	-3.33	-7.50	-0.56	7.40	-1.02	2.60
2017	7491.00	6502.00	7537.00	6567.00	4730.00	5033.00	4897.00	4940.00	4454.00	4886.00	5447.00	5494.00	-2431.00
	-5.48	-13.20	15.92	-12.87	-27.97	6.41	-2.70	0.88	-9.84	9.70	11.48	0.86	-30.68
2018	6040.00	5601.00	5068.00	4760.00	4384.00	4750.00	5175.00	5055.00	4991.00	6067.00	6468.00	6353.00	859.00
	9.94	-7.27	-9.52	-6.08	-7.90	8.35	8.95	-2.32	-1.27	21.56	6.61	-1.78	15.64
2019	6605.00	6160.00	6656.00	7184.00	7006.00	6970.00	6529.00	5974.00	5590.00	6835.00	6695.00	6860.00	507.00
	3.97	-6.74	8.05	7.93	-2.48	-0.51	-6.33	-8.50	-6.43	22.27	-2.05	2.46	7.98
2020	6498.00	5922.00	5820.00	5798.00	5620.00								-1240.00
	-5.28	-8.86	-1.72	-0.38	-3.07								-18.08
Average	-1.39	-1.86	5.24	1.36	-3.89	1.53	8.11	-2.79	-3.56	7.32	3.98	-1.48	Average

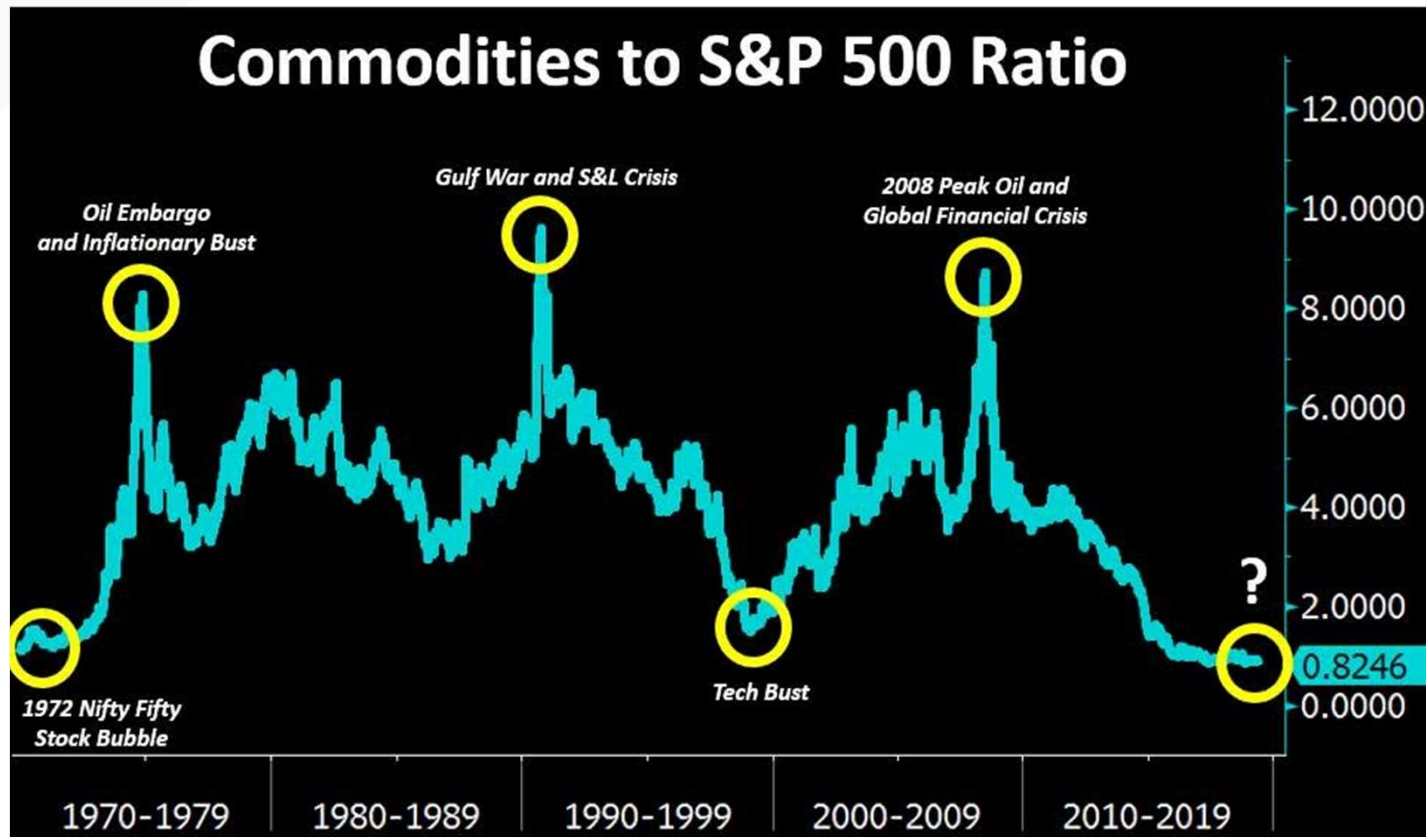


# Correlation & Ratios Works in Commodity Well

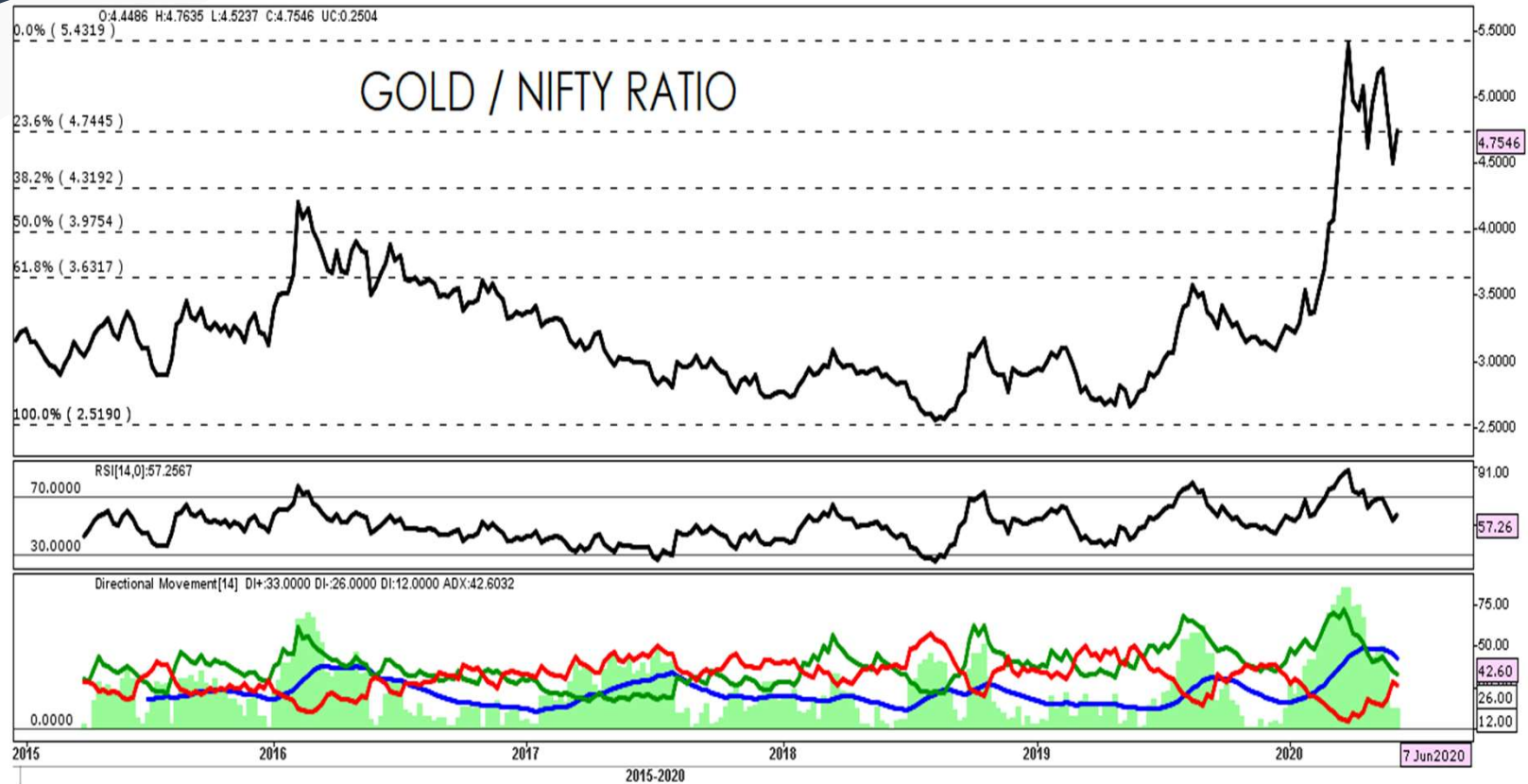
Commodity are well connected with other asset  
classes while Equities are less



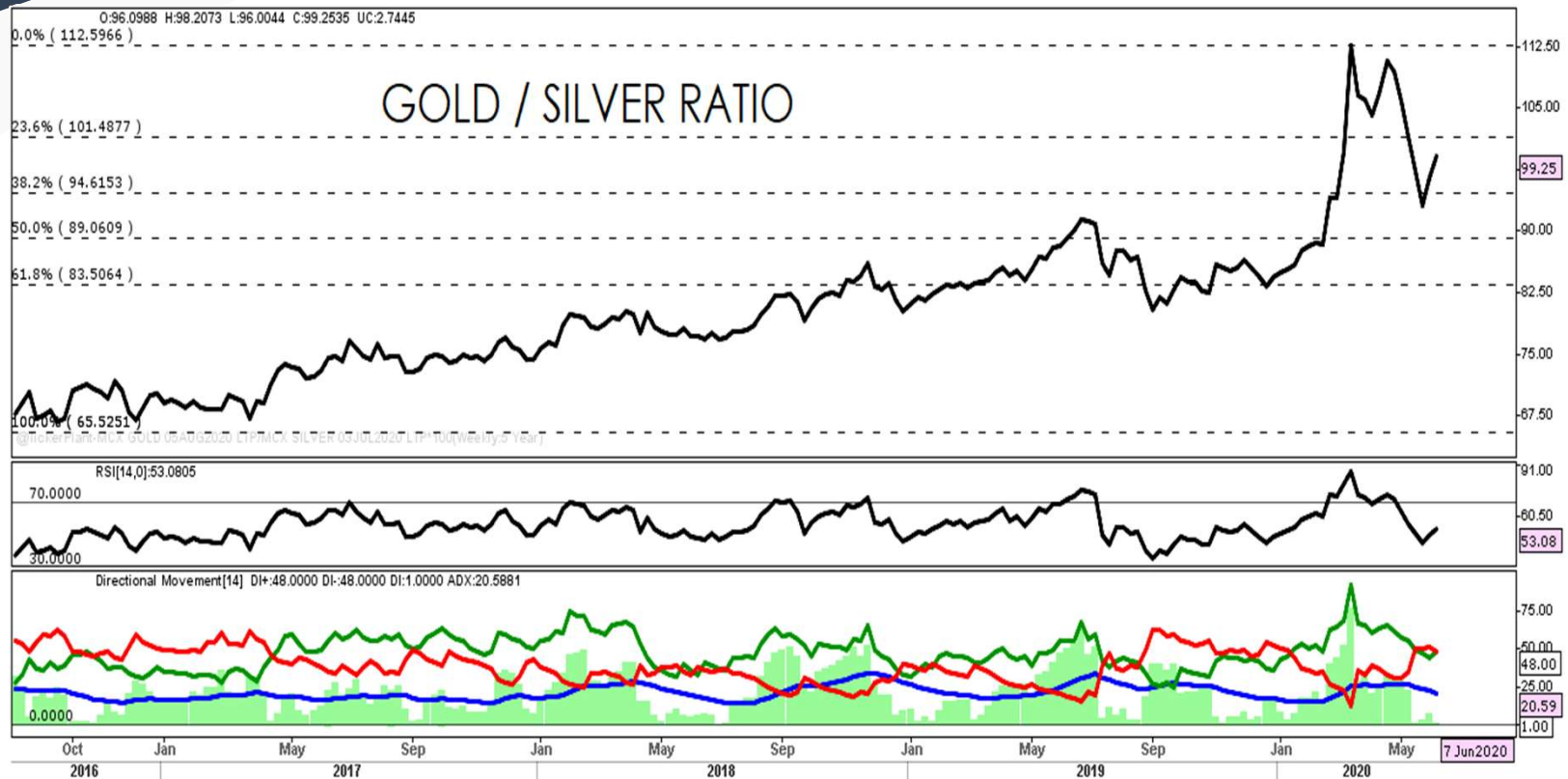
## Correlation & Ratios Works in Commodity



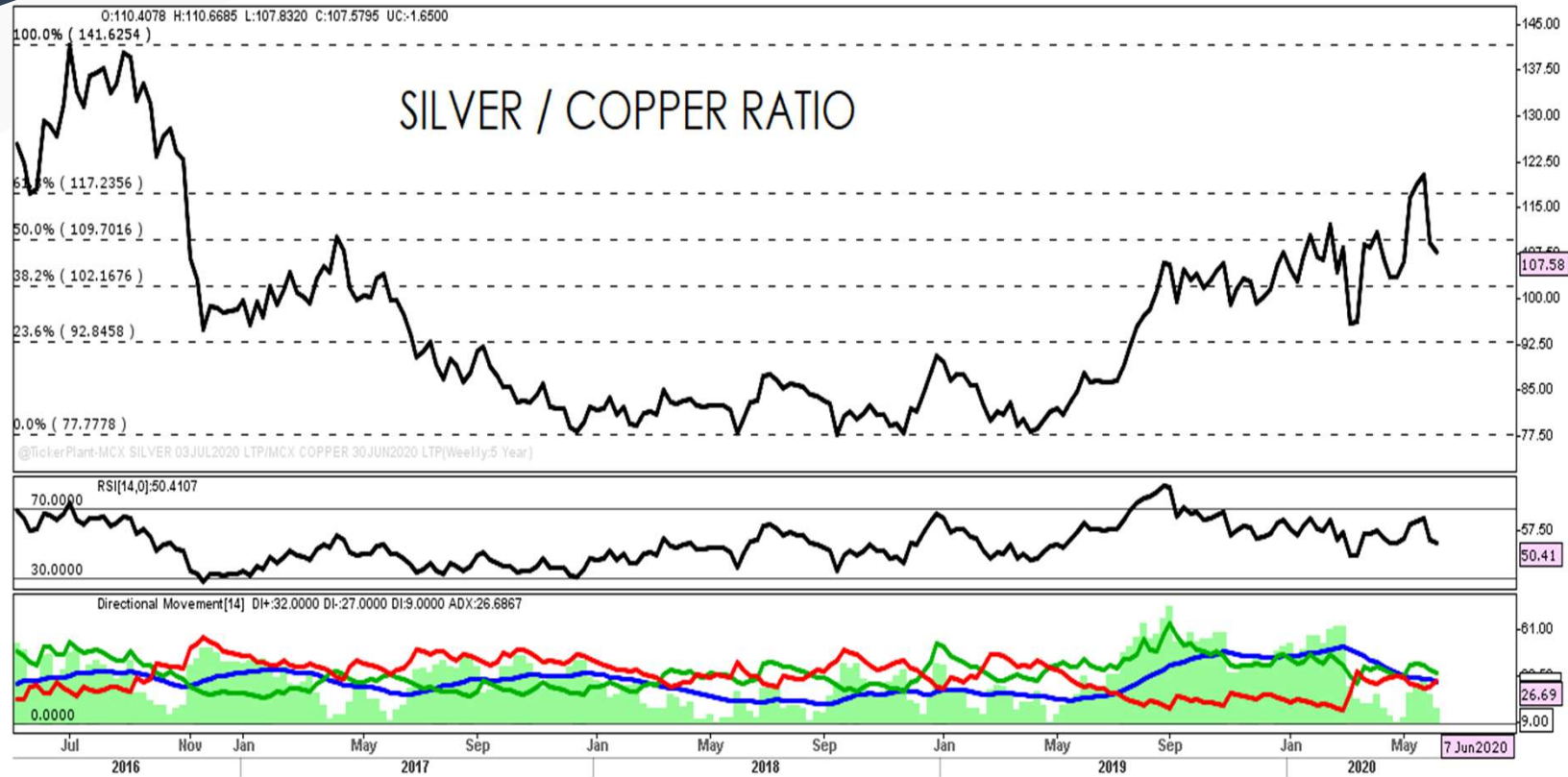
# Correlation & Ratios Works in Commodity



# Correlation & Ratios Works in Commodity

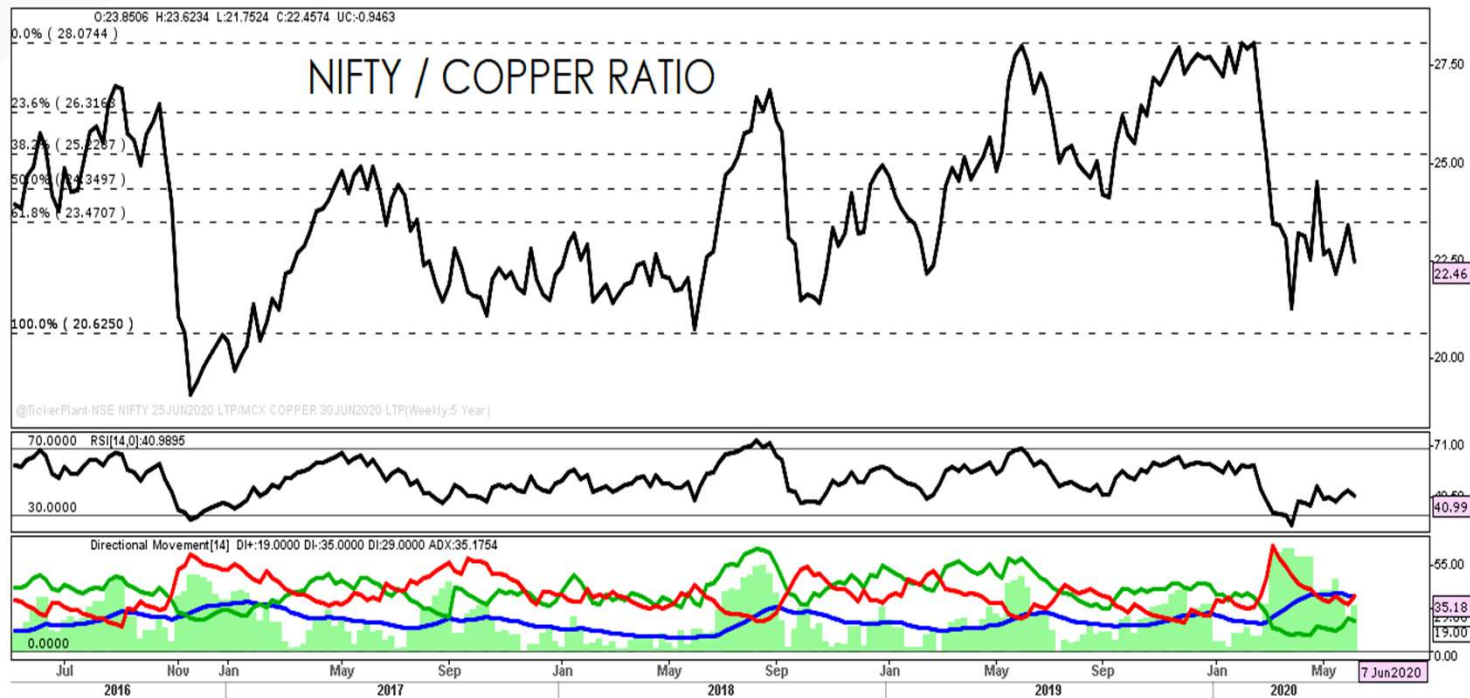


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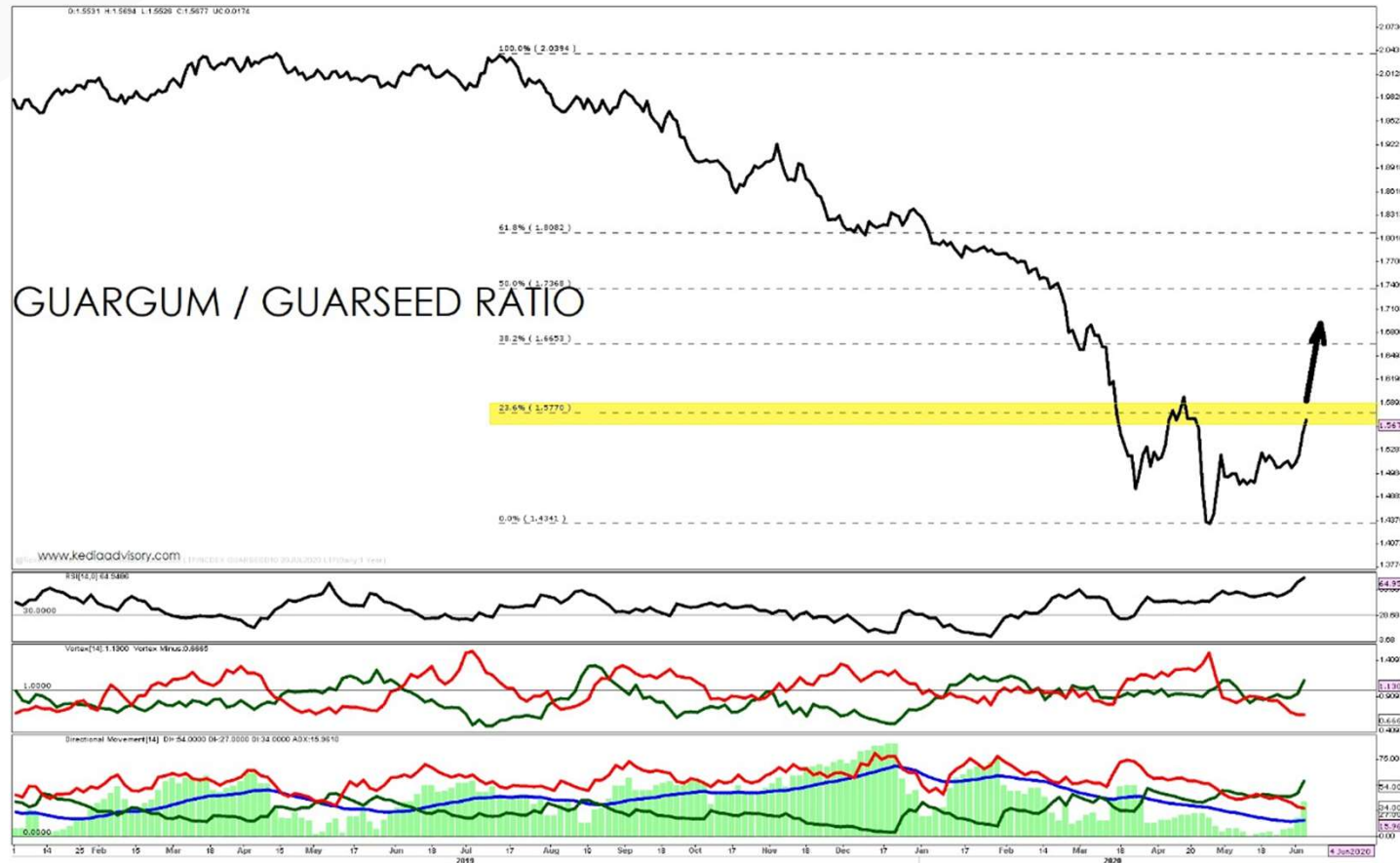




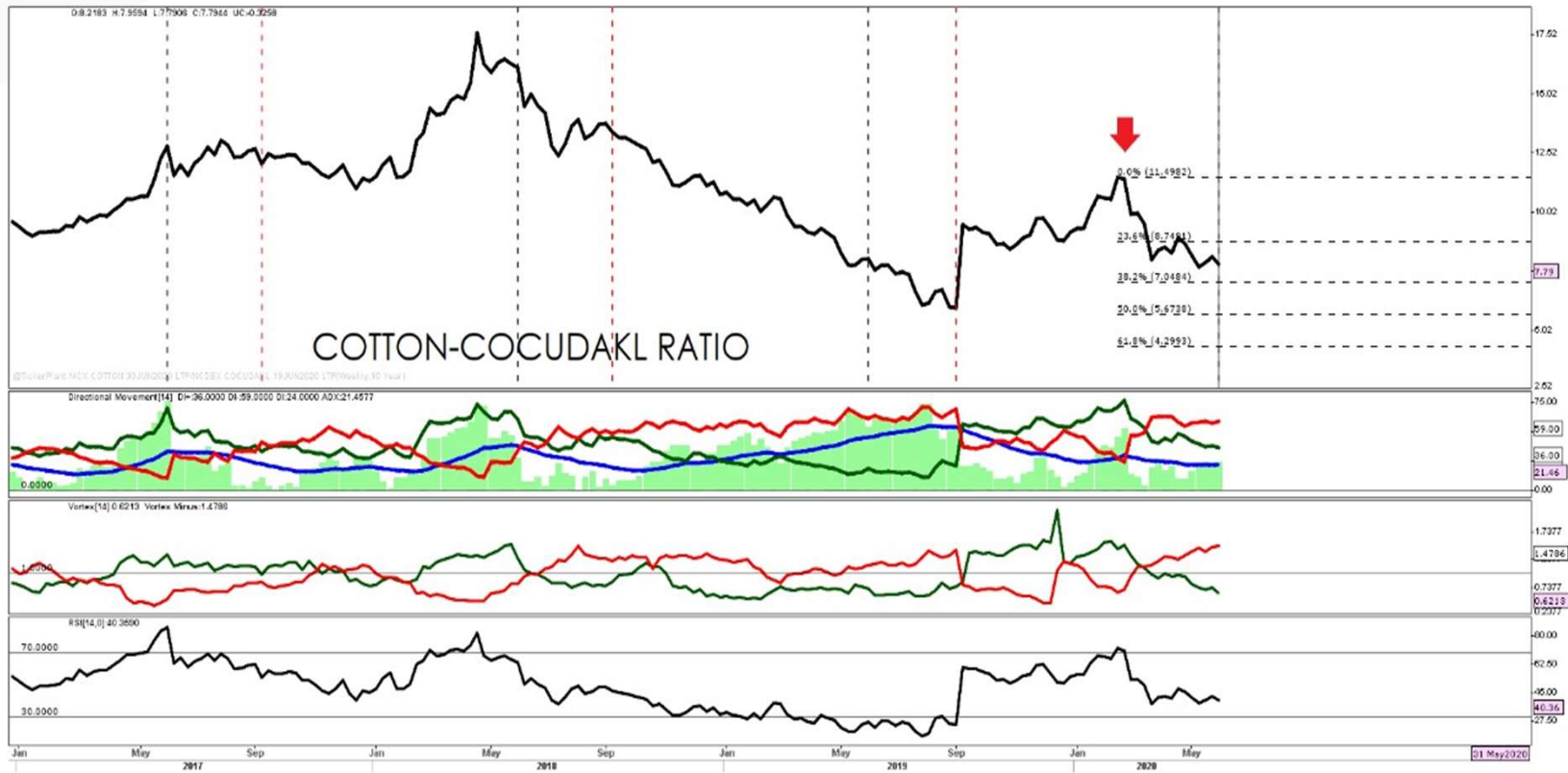
# Correlation & Ratios Works in Commodity



# Correlation & Ratios Works in Commodity



# Correlation & Ratios Works in Commodity





# Correlation & Ratios Works in Commodity

Nifty 50 Companies				Commodity Correlation							
Company Name	Industry	Commodity	Wgt(%)	Gold	Silver	Crude	Copper	Zinc	Nickel	Lead	Aluminium
Bajaj Auto	Automobile	Lead, Aluminium, Copper, Steel, Zinc, Nickel, Rubber, Plastic, Crude	0.86	-0.25	-0.18	-0.22	-0.55	0.37	-0.09	-0.42	-0.01
Hero MotoCorp			0.69	-0.09	0.00	0.40	-0.41	0.23	0.06	-0.33	0.01
Eicher Motors			0.60	-0.79	-0.77	-0.45	-0.75	0.79	-0.69	-0.49	0.45
Mahindra & Mahindra			1.27	-0.86	-0.88	-0.52	-0.73	0.83	-0.83	-0.45	0.58
Maruti Suzuki India			1.87	-0.34	-0.25	-0.41	-0.62	0.43	-0.16	-0.43	-0.01
Tata Motors			0.82	-0.95	-0.91	0.52	-0.66	0.91	-0.89	-0.52	0.76
Axis Bank	Financial Services	USDINR, Gold	3.16	-0.89	-0.91	0.06	-0.74	0.85	-0.89	-0.39	0.65
HDFC Bank			10.53	-0.47	-0.46	-0.27	-0.53	0.41	-0.35	-0.16	0.05
ICICI Bank			5.55	-0.25	-0.33	-0.18	-0.27	0.14	-0.24	0.00	-0.17
IndusInd Bank			1.74	-0.73	-0.68	0.63	-0.56	0.65	-0.70	-0.53	0.64
Kotak Mahindra Bank			3.91	0.13	0.17	-0.39	-0.04	-0.22	0.30	0.00	-0.57
State Bank of India			2.45	-0.85	-0.87	0.88	-0.47	0.75	-0.90	-0.30	0.79
Yes Bank			0.66	-0.85	-0.87	0.88	-0.47	0.75	-0.90	-0.30	0.79
Bajaj Finance			1.55	-0.92	-0.89	0.89	-0.74	0.91	-0.91	-0.56	0.83
Bajaj Finserv			0.96	0.10	0.11	-0.56	-0.16	-0.13	0.25	0.11	-0.51
HDFC			6.95	-0.49	-0.49	-0.55	-0.63	0.47	-0.36	-0.23	0.07
Grasim Industries	Cement	Natural Gas, Crudeoil	0.75	-0.80	-0.85	0.35	-0.43	0.67	-0.88	-0.15	0.70
UltraTech Cement			1.02	-0.88	-0.88	0.18	-0.64	0.79	-0.86	-0.48	0.62
ITC	FMCG	Menthaoil,usdinr	5.46	-0.94	-0.92	-0.36	-0.67	0.88	-0.90	-0.57	0.70
HCL Technologies	Information Technology	Copper, USDINR	1.36	0.14	0.14	-0.68	-0.36	0.07	0.13	-0.10	-0.12
Infosys			6.03	0.80	0.86	0.42	0.70	-0.76	0.83	0.50	-0.57
TCS			5.01	-0.14	-0.26	0.49	-0.26	0.17	-0.36	0.15	0.38
Tech Mahindra			1.11	-0.44	-0.33	-0.45	-0.69	0.58	-0.28	-0.45	0.23
Wipro			0.95	-0.87	-0.89	0.23	-0.77	0.89	-0.92	-0.38	0.78
Hindustan Unilever	Consumer Goods	COCUDAKL,USD INR	2.65	0.51	0.55	-0.25	0.06	-0.46	0.63	0.19	-0.76
Britannia Industries			0.72	-0.26	-0.16	-0.43	-0.43	0.25	-0.06	-0.15	-0.21
Titan Company			1.02	-0.42	-0.39	-0.24	-0.63	0.42	-0.30	-0.17	-0.04
Asian Paints			1.39	0.76	0.80	-0.53	0.41	-0.75	0.86	0.33	-0.90
Larsen & Toubro	Engineering		3.51	-0.75	-0.76	-0.15	-0.71	0.69	-0.68	-0.33	0.38
Coal India	Metals & Mining	Lead, Aluminium, Copper, Steel, Zinc, Nickel	0.89	-0.89	-0.91	0.62	-0.77	0.87	-0.90	-0.34	0.74
Vedanta			0.64	-0.80	-0.78	0.61	-0.54	0.71	-0.74	-0.22	0.53
JSW Steel			0.66	-0.92	-0.90	0.69	-0.62	0.87	-0.88	-0.47	0.75
Hindalco Industries			0.64	0.63	0.55	-0.92	0.30	-0.55	0.53	0.18	-0.44
Tata Steel			0.89	-0.93	-0.93	0.74	-0.64	0.86	-0.94	-0.35	0.76
ONGC	Energy	CRUDEOIL, USDINR	1.08	-0.94	-0.92	0.02	-0.79	0.93	-0.90	-0.50	0.68
NTPC			1.15	-0.79	-0.83	0.41	-0.54	0.75	-0.85	-0.21	0.70
Power Grid			0.91	0.32	0.17	-0.24	0.57	-0.46	0.14	0.64	-0.16
BPCL			0.60	0.14	0.22	-0.89	-0.16	-0.12	0.36	-0.02	-0.57
Indian Oil Corporation			0.79	-0.81	-0.80	-0.16	-0.74	0.76	-0.74	-0.38	0.46
Reliance Industries			10.07	-0.36	-0.35	-0.81	-0.50	0.39	-0.25	-0.31	-0.01
GAIL (India)			0.68	-0.89	-0.82	0.67	-0.77	0.88	-0.80	-0.66	0.66
UPL	Fertilizer		0.75	-0.87	-0.81	-0.70	-0.64	0.82	-0.78	-0.46	0.60
Cipla	Pharma	USDINR	0.61	-0.88	-0.90	0.75	-0.57	0.85	-0.95	-0.40	0.87
Dr. Reddy's Laboratories			0.83	0.09	0.30	0.83	0.19	-0.13	0.36	-0.07	-0.23
Sun Pharma			1.30	0.25	0.34	0.87	0.45	-0.23	0.23	-0.10	0.07
Adani Ports	Shipping	CRUDEOIL, USDINR	0.64	-0.62	-0.60	-0.39	-0.60	0.50	-0.51	-0.15	0.22
Zee Ent	Media & Telecom	Copper, USDINR	0.60	-0.43	-0.41	0.84	-0.08	0.42	-0.55	-0.26	0.68
Bharti Infratel			0.52	-0.84	-0.79	0.40	-0.75	0.85	-0.77	-0.40	0.58
Bharti Airtel			1.20	0.26	0.10	-0.43	0.04	-0.19	0.18	0.24	-0.28
Nifty 50 Index			100	-0.81	-0.80	-0.67	-0.74	0.76	-0.74	-0.38	0.46

□ When trying to distinguish the relationships between certain commodities and currencies around the world it helps to realize that situations can change and the relationships are fluid.

□ However, there are some time-tested relationships that have been established over the years that may continue to hold true well in to the 21st century.

# Other Factors Impacting Commodity Prices

Easy to track some publicly available data



## Other Factors Impacting Commodity Prices

- ☐ Risk & Return
- ☐ Imbalance between Demand and Supply
- ☐ Weather conditions
- ☐ Economic and Political Conditions
- ☐ Government policies
- ☐ Import/Export
- ☐ Inflation
- ☐ Seasonal variations
- ☐ Currency movements
- ☐ CFTC Report
- ☐ LME / LME Inventories
- ☐ API / EIA Inventories
- ☐ Geopolitical tensions
- ☐ US Data
- ☐ Economic Policy
- ☐ Forex Movement
- ☐ Central Banks

## Some FAQ on Commodity

**Who Regulates Commodity markets?** SEBI regulates Commodity Derivative Markets Since September 2015. Prior to that Forward Market commission, Overseen by Ministry of Consumer Affairs regulated Commodities.

**What are the trading hours?** The trade timings of the Exchange from Monday to Friday are IST 10:00 a.m to 11.30 p.m. / 11.55 p.m.\* (\*during US day light saving period).

**What is a Futures Contract?** Futures are exchange - traded contracts to sell or buy standardized financial instruments or physical commodities for delivery on a specified future date at an agreed price.

**What are standardized contracts?** Futures contracts are standardized. In other words, the parties to the contracts do not decide the terms of futures contracts; but they merely accept terms of contracts standardized by the Exchange.

**What is cash settlement?** It is a process for performing a futures contract by payment of money difference rather than by delivering the physical commodity.

**What are the commodities Suitable for Futures Trading?** Commodities suitable for Future trading should be with Suitable demand and Supply conditions. The commodity should be free from substantial control from Govt. regulations, imposing restrictions on supply, distribution and prices of the commodity. Commodities Should be homogeneous, storable.

**How many commodities are permitted for Futures Trading?** At present 113 commodities are in the regulated list i.e. these commodities have been notified under section 15 of the Forward Contracts (Regulation) Act. Forward trading in these commodities can be conducted only between, with, or through members of recognized associations. The commodities other than those listed under Section 15 are conventionally referred to as 'Free' commodities.

**How are futures prices determined?** Futures prices evolve from the interaction of bids and offers emanating from all over the country - which converge in the trading floor or the trading engine of an Exchange. The bid and offer prices are based on the expectations of prices on the maturity date.

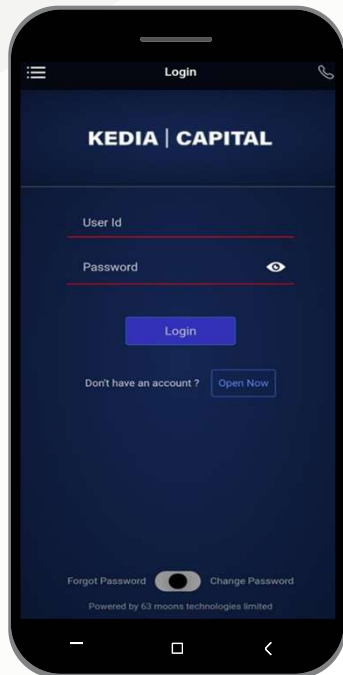
**What is 'Contango'?** Contango means a situation, where futures contract prices are higher than the spot price.

**What is 'Backwardation'?** When the prices of spot, or contracts maturing earlier are higher than a particular futures contract, it is said to be trading at Backwardation.

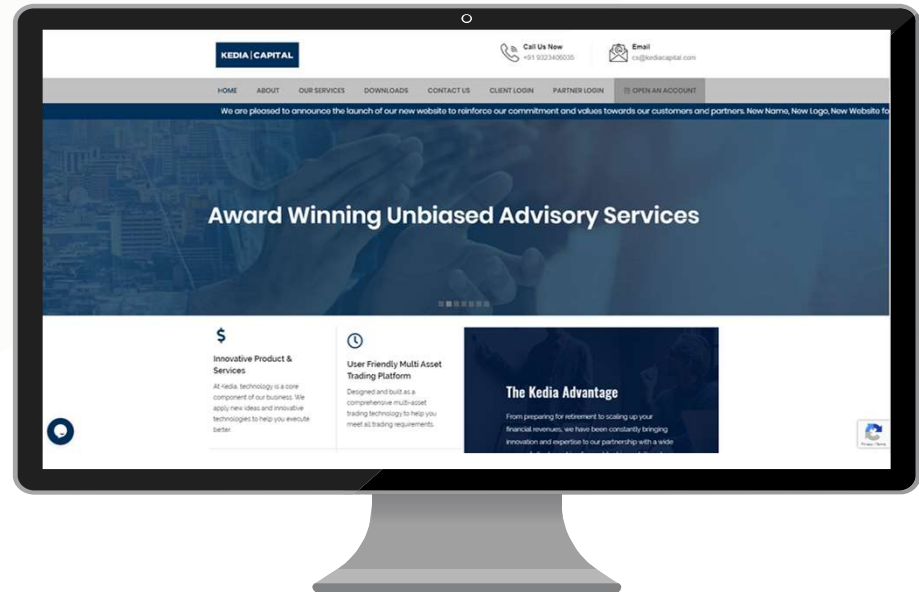
**What is 'basis'?** It is normally calculated as cash price minus the futures price. Unless otherwise specified, the price of the nearby futures contract month is generally used to calculate the basis.

**What is convergence?** The difference between spot and futures contract theoretically should have declining trend over the life of a contract and tend to become zero on the date on maturity.

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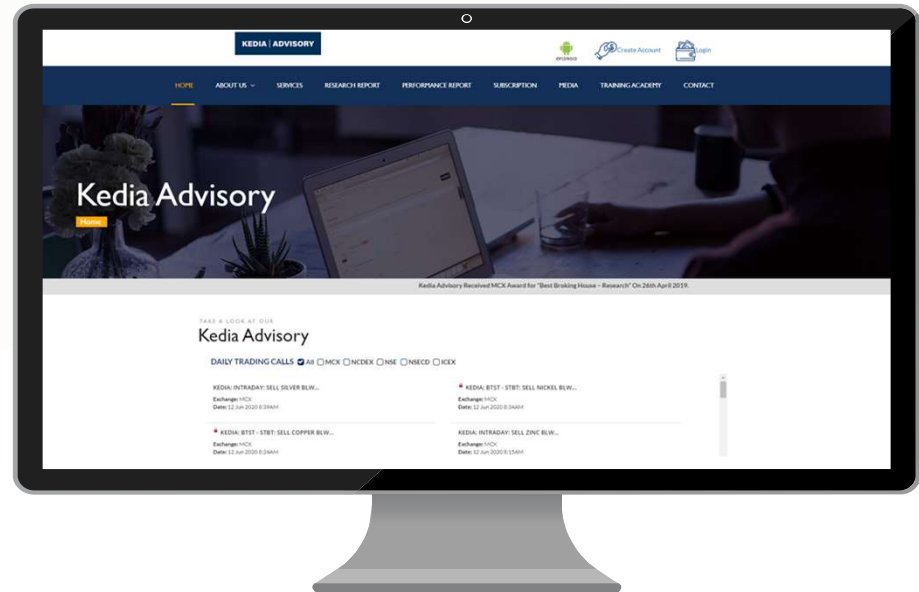
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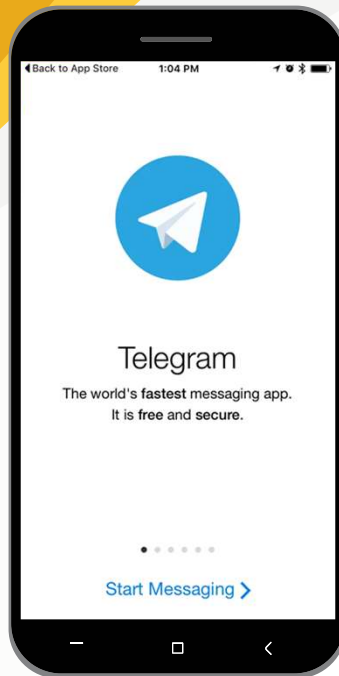


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