

**Mr. Dinesh Thakkar**  
Chairman & Managing Director, Tradebulls



*Mr. Dinesh Thakkar has more than 15 years of rich experience in capital and commodity markets. He started his journey as a sub broker in 1996. His focus on ethical and transparent business practices, courage to venture and dynamic attitude to change with time helped him to make his dream called TRADEBULLS a company with 300+ employees. With all his efforts and strong business understanding Mr. Thakkar has developed the 'Tradebulls' as a brand that creates a professional workforce of youngsters to provide fair and transparent prices and services to the clients.*

**1. In the Indian financial markets, commodity futures are seen as a portfolio diversification tool. What kind of interest do you observe in this regard among market participants and among your clients?**

NCDEX has played an important role by providing the physical market participants a national platform where price signals get discovered in a transparent manner, which wasn't the case earlier. Commodity futures are indeed seen as a portfolio diversification tool. Our analysis during the technology and financial crashes of 2000- 2002 and 2008 shows that a traditional financial/equity portfolio supplemented by trading in commodity futures outperformed a more typical equity portfolio in terms of risk and return, both during bull and bear periods. We have observed that market participants could directly relate the variations in equity prices with those in commodities. Our clients and investors are slowly becoming aware of (the inverse) relation between equity and commodity prices. This has led to increased participation in commodity futures.

**2. NCDEX has launched innovative contracts in bullion, viz., Gold Hedge and Silver Hedge. Can you tell us about your experience of trading in these hedge contracts?**

Gold and Silver hedge contracts exclude elements such as duty and spot premiums that have distortionary impact on bullion prices and hence these are pure price contracts. With the increased awareness about these contracts among the different market participants, I think participation will defiantly increase in these contracts.

**3. As you know NCDEX has introduced Day Spread Limit Order Type in the futures contracts of agri commodities. In your opinion, how will our new spread order type be attractive for hedgers, jobbers and speculators?**

NCDEX took a right step in introducing new spread trading facility using day limit orders for market participants. One of the advantages is that the market participants will put the spread order and be stress free until it gets executed as the system maintains the time priority.

I think, speculators and jobbers will be benefited the most as the participants have to enter just one spread order for one spread trade and this will save their time. For hedgers, is this new functionality is a safer mode of trading as it eliminates the leg risk. Thus this spread engine seems beneficial to the entire trading community i.e. hedgers, jobbers and speculators.

**4. Which are the crucial factors they should consider before trading in Spread orders?**

A number of factors should be considered before trading in spread orders and of the foremost among them is the trading cost. Spread cost can eat into one's long term profit and traders should always be looking for tight spread, even in highly volatile conditions. Second is liquidity. Spread cost is negatively correlated with market volume while liquidity is positively correlated with market volume. This means it is faster and cheaper to trade when market volume is high. Additionally, understanding of different trading strategies, trade planning and money management are also equally important to reap the maximum benefit from spread trading.

**5. Do you think evening trading in internationally-linked agri commodities will help improve trading efficiency? How?**

Yes to some extent, as if there is some overnight news in international market in any of the agri commodity then it would get immediately reflected in domestic market if the evening session is there. This would provide an opportunity for trader either to execute fresh trade or to square off its trade as and when any event occurs which is internationally correlated with the agri commodities. Thus evening session for internationally listed agri commodities will improve trading efficiency.

**6. How do you see commodity futures market evolving in the days ahead? Which reforms, according to you, should be undertaken on a priority basis to enhance the efficiency of commodity markets?**

Commodity market will slowly evolve in the future as participation is slowly increasing. The very first step that needs to be taken according to me is introduction of options in commodity derivatives market. Options will help bring more liquidity and stability in the commodity market. The second step could be reduction in commodity transaction tax that would help encourage more participation in this market. Apart from these, special monitoring of smaller, less liquid contracts to deter manipulation of prices and introduction of reforms that would enhance transparency and efficiency in market operations and trading need to be promoted. Market intervention measures can also be used to address the problem of price volatility as and when required.