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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?

Commodities have become an attractive investment in recent years, even for those who may not know much about them but would like to participate in the profit potential from dramatic price advances posted by energy, bullions, grains, metals and other commodities. Commodities are integral part of our life. They form a part of the food we eat (food grains, oil and oil seeds), spices (coriander, chilli, etc.), clothes we wear (cotton, kapas etc) and Precious and base metals we use (gold, silver, copper, steel, zinc, lead etc). Thus, it is relatively easier to understand as compared to the Equity market. Also the long trading hours i.e. till 11.30 pm keep public interested in this market.

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?

For me, the gold hedge and silver hedge contracts have been one of the most innovative products offered by NCDEX in recent times. These contracts are just amazing in the sense they allow client the access to international market

without going offshore. Also, these products serve as a very good tool for non-delivery based hedgers since the existing gold and silver contracts are compulsory delivery contracts. Bullion hedge contracts also provide good arbitrage opportunities.

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?

It is a very helpful tool for hedgers, jobbers and speculators since it helps them to rollover their positions into next month with help of click of a single command. Also, this tool is very useful for big participants since they deal in multiple commodities and that too in big volumes at the same time.

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

The most important factor to be considered is the combination of months for the spread order i.e. Leg 1 and Leg 2. Especially which month has to be bought and which month has to be sold has to be clearly reviewed before entering the order. The second most crucial factor is the Price Difference column. Should the price difference be punched in positive value or negative value has to be clearly reviewed especially if the spread is in backwardation. The other important factors are quantity and trading code.

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

Evening trading in internationally linked agri commodities will definitely help in improving trading efficiency but this will take some time. The clients can now take the benefit of late evening price fluctuations as well which was not the case earlier. Traditionally the agro commodities were traded till 5.00 PM only and traders have got used to it. Also, the physical mandis in India generally close by 6 PM. But the extended trading hours on the commodity exchange can provide more opportunities to trade and the clients will slowly get accustomed to the new timings.

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?

The commodity futures market in India has matured and has a huge growth potential. Having attained a stable government at the Centre, some reforms like removal of Securities Transaction Tax (STT), clearance of long awaited amended FCRA Act, more autonomy to Forward Market Commission etc. if implemented on urgent basis, can really boost the market.

