

# Basic of Commodity Trading

Introduction to commodity Trading

# Commodity!

**GOLD, SILVER, IRON, ZINC  
WHEAT, MAIZE, RICE, POTATO  
CHILLI, TURMERIC, CORIANDER  
CRUDE OIL, NATURAL GAS . . . . .**

# Trading Commodity!

**Find a seller**

**Buy cheap**

**Find a buyer**

**Sell with some profits/loss**

# Trading Commodity!

**Barter System**

**Monetary System**

# Trading Commodity!

**Spot Market**  
**Forward Market**

# Spot Market!

**Trading in Local Mandies**  
**Buying physical**



# Forward Market!

**Trading in Local Mandies  
on forward contract.**



# Forward Market trading!



You



Buy 10,000 Kg



Spot Market Price



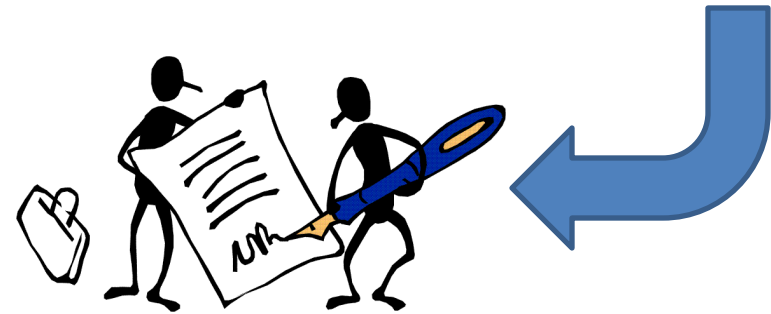
5 rupee per Kg



Want delivery  
1 month later



Pay 10 % Advance  
Rs. 5,000



You do contract with a farmer



After 1 Month

# Forward Contract



Pay remaining Rs. 45,000



Receives 10,000 Kgs Potato

# Risk Involved : **Default Risk**

**Default Risk:** Because contract is between 2 parties there is no 3<sup>rd</sup> party guarantor.

In the previous example too high.



can deny to sell if Price rise

The



can deny to Buy if Price goes too low.

# Trading Commodities!



# Online

# Trading on commodity exchanges!

