A PRIMER ON COMMODITY DERIVATIVE MARKETS

SALIM A SHAMSHER*; DR. SANJAY MALI**

*FACULTY – FINANCE & ACCOUNTS
FLAME SCHOOL OF BUSINESS – PUNE

**PRINCIPAL
LET, ARTS AND COMMERCE COLLEGE, LONAVALA

ABSTRACT
Commodity Derivatives have been receiving a lot of attention these days both from investors as well as policy makers; their ever growing significance is mainly attributable to the major role they play as instruments of price discovery and price risk management with respect to Primary commodities. In addition to this they have also been acknowledged as one of the important asset classes for portfolio diversification.
Everything though does not seem to be good about them, speculation and excessive investment in the same has been blamed for causing price fluctuations and therefore the Government of India has been from time to time banning trading in some of the commodities. Commodity options have not been introduced in India on the same pretext.
Also, there are fundamental differences between a Commodity Exchange and a Stock Exchange. This has been documented in various literature (Pavaskar M, 2005). The structure and the issues affecting these markets are different and need to be examined in separation.
This paper by surveying the existing literature in this regard attempts to examine all these and related issues and provides an exhaustive review of Commodity Derivatives both from an Indian as well as a Global perspective.

KEYWORDS: Asset Class, Commodity Derivative, Commodity Exchanges, Price Risk Management & Speculation.