



# **BEGINNERS GUIDE**

**Commodities Trading Offers  
Countless Opportunities**



We created **Beginners Commodity Investing Guide**; to share what we knew and to hear from you. We wanted what we wrote to be easy to understand too..

## **What Is Commodity Market?**

where all raw or primary products are exchanged. These raw commodities are traded on regulated commodities exchanges, in which they are bought and sold in standardized contracts

## Why Commodity Trading?

- Well, let's suppose you want to buy gold because you believe that the price of gold will rise.
- You could then buy gold bars, store them, wait for them to go up in price, and then sell them at a profit.
- But, you have to be sure that the gold you buy is pure, you have to find a place to store it, you have to provide the security, transport it to vault and other such hassles.
- A far better way to invest in gold would be to buy gold futures from the commodities exchange.

## How it works?

- Just like stock futures , you don't have to pay the entire amount, just a fixed percentage of the cost. This is known as the margin.
- Let's say you are buying a Gold Futures contract. The minimum contract size for a gold future is 1gms. 1 gms of gold may be worth Rs 2800.
- The margin for gold set by the Exchange is 4 to 5%. So you only end up paying Rs .140.
- The low margin means that you can buy futures representing a large amount of gold by paying only a fraction of the price.
- So you bought the Gold Futures contract when it was Rs 2800 per 1 gms.
- The next day, the price of gold rose to Rs 2850 per 1 gms.  
Rs.50 (Rs 2850 + Rs 2,800) will be credited to your account.
- The following day, the price dips to Rs 2750.  
Rs 50 will get debited from your account (Rs 2800 – Rs 2750).

## What you need to know?

- Compared to stocks, trading in commodities is much cheaper, because margins are much lower than in stock futures.
- Brokerage is low for commodity futures. It ranges from 0.01% to 0.05%.
- Because of this, commodity futures are an investor's paradise.
- If you are a hard-core trader who follows the technical charts and do not really care what you trade, and if you are nimble and savvy, then commodity futures could be another asset class that you would be interested in.
- The advantages in this line is that there are no balance sheets, no complicated financial statements----all you have to do is follow the supply and demand position of the commodities you trade in very closely.
- Go to our site to see which commodities are offered for trading, their contract size and other criteria.

## Product listed on the commodity market

- Bullions (Gold, Silver & platinum)
- Energies (Crude oil, Natural gas etc)
- Base Metals (Aluminum, Copper, Zinc, Lead etc)
- Agro Products (Turmeric, Pepper, Cardamom, etc)

## Commodity market timings

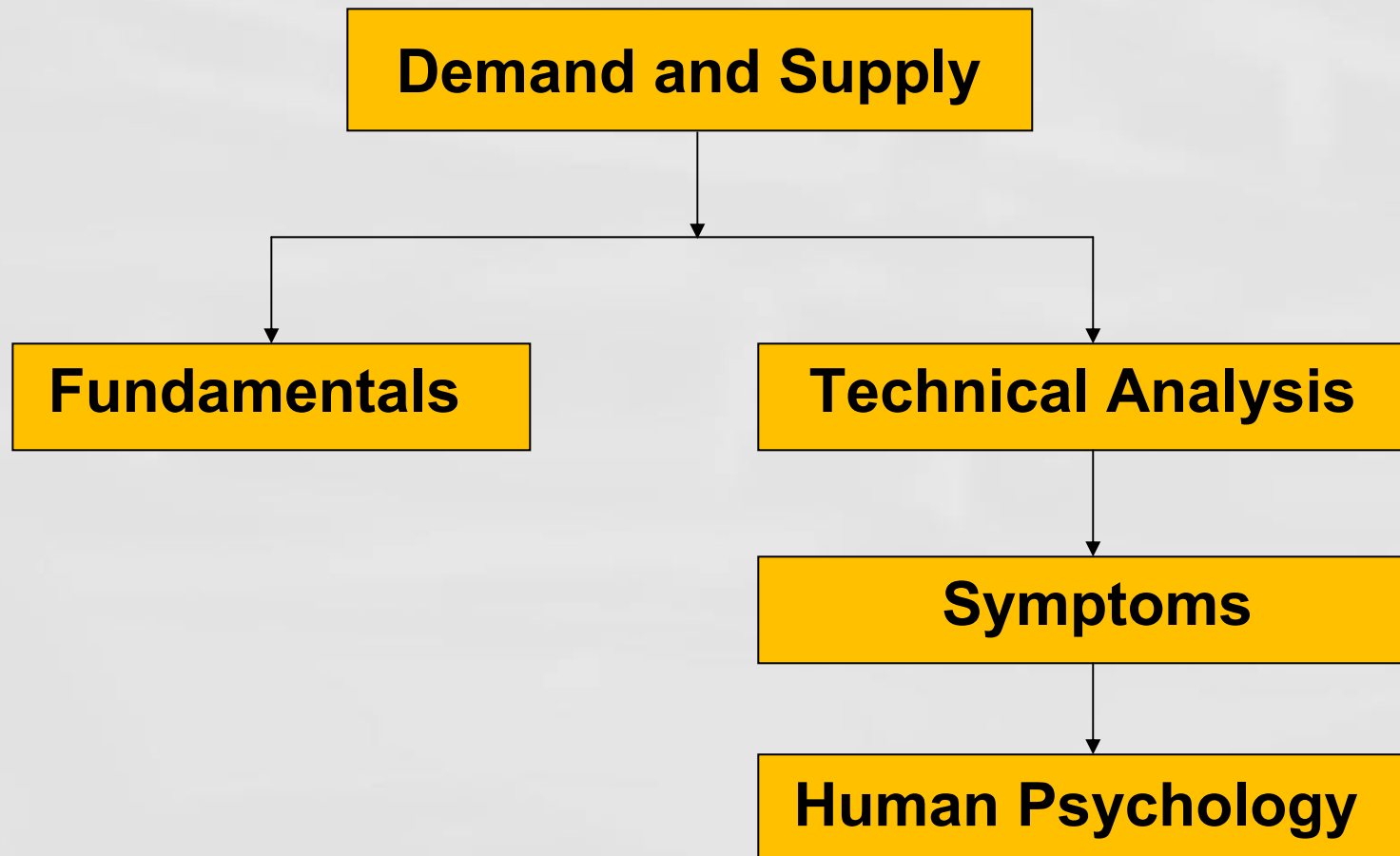
10 A.M to 5 P.M - ( Agro Commodities )

10 A.M to 11.30 P.M - ( International Commodities )

The market is Driven by Demand and Supply



# How to find Demand & Supply?

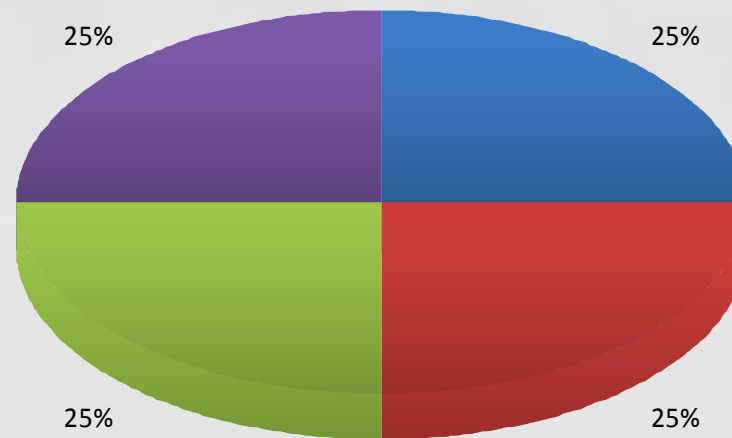
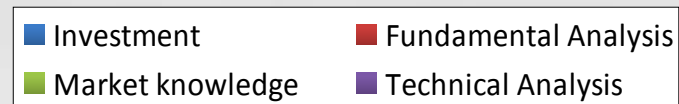


# How to do online trading?

Keep investment aside

Do home work

- Fundamentals
- Technical Analysis
- Market Knowledge



## Fundamental Analysis

In a market economy, price is determined by the interaction of supply and demand. The study of supply and demand is also known as the study of fundamentals or "fundamental analysis". Supply and demand graphs are useful tools used to illustrate this concept.

# Technical Analysis

- The cornerstone of technical trading is the belief that fundamental information, political events, natural disasters and psychological factors will quickly show up in some form of price movement. The chartist, therefore, searches for certain formations or patterns which indicate bullish or bearish shifts in fundamentals. If his analysis is correct, he can quickly profit from the changes without necessarily knowing the specific reasons for them.
- Fundamental traders can also use charting information. Since the market price itself may react before the fundamental information comes to light, chart action can alert the fundamental analyst that something is happening and encourage closer market analysis.

## Here is something you should know

- This subject is huge! And it can get confusing Fundamental, technical analysis, trading, charts - you name it!
- Not to worry! we will keep it simple, relevant and fun.
- We provide relevant information that is easy to understand.
- We encourage you - share this site with your fellow [investors](#).

## What do you need to start trading?

Like equity markets, you have to fulfil the 'know your customer' norms with a Capital Focus. A photo identification, PAN and proof of address are essential for registration. You will also have to sign the necessary agreements with the Us.

## **Is there a regulator for the commodity trading market?**

The Forward Markets Commission (FMC) is the regulatory body for the commodity market in India. It is the equivalent of the Securities and Exchange Board of India (SEBI), which protects the interests of investors in securities.

## Remember

We purposefully selected the word "beginners" because like building a strong foundation for a house, you **MUST** begin somewhere, and then build upon the basics.

Enough introduction. Ready?

*Let's get started...*