INTERNATIONAL JOURNAL OF RESEARCH IN COMMERCE AND MANAGEMENT

CONTENTS

CALL FOR ARTICLES/RESEARCH PAPERS

We invite original research papers in the area of finance, marketing, HRM, Banking, Insurance, and other allied subjects. The above mentioned tracks are only indicative, and not exhaustive. The journal expects unpublished and original quality research articles/papers only.

You may submit your articles/papers at the email addresses, info@ijrcm.org.in or infoijrcm@gmail.com.

GUIDELINES FOR SUBMISSION OF ARTICLE/PAPER

1. COVERING LETTER FOR SUBMISSION:

The Editor
IJRCM

Subject: **Submission of Manuscript**.

Dear Sir,

Find my submission of research paper/article for possible publications in your e-journal.

I hereby affirm that the content of this manuscript are original. Furthermore it has been neither published elsewhere fully or partially or any language nor submitted for publication (fully or partially) elsewhere simultaneously.

I affirm that the all author (s) have seen and agreed to the submitted version of the paper and their inclusion of name(s) as co-author(s).

Also, if our research paper/article accepted, I/We agree to comply with the formalities as given on the website of journal.

Name of Corresponding Author (s)

Affiliation:

Mailing address:

Mobile Number (s):

Landline Number (s):

E-mail Address (s):

2. **INTRODUCTION:** Manuscript must be in English prepared on a standard A4 size paper setting. It must be prepared on a double space and single column with 1" margin set for top, bottom, left and right. It should be typed in 12 point-Times New Roman Font with page numbers at the bottom and centre of the every page.
3. **MANUSCRIPT TITLE:** The title of the paper should be in a 14 point Times New Roman Font. It should be bold typed, centered and fully capitalised.
4. **AUTHOR NAME(S) & AFFILIATIONS:** The author(s) full name, affiliation(s), mobile/landline numbers, and email/alternate email address should be in 10-point Times New Roman. It must be centered underneath the title.
5. **ABSTRACT:** Abstract should be in fully italicized text, not exceeding 300 words. The abstract must be informative and explain background, aims, methods, results and conclusion.
6. **KEYWORDS:** Abstract must be followed by list of keywords, subject to the maximum of five. These should be arranged in alphabetic order separated by commas and full stop at the end.
7. **HEADINGS:** All the headings and sub-headings should be in a 12 point-Times New Roman Font. These must be bold-faced, aligned left and fully capitalised. Leave a blank line before each heading.
8. **MAIN TEXT:** The main text should be in a 12 point-Times New Roman Font, single spaced, fully justified.
9. **FIGURES &TABLES:** These must be simple, centered & numbered, and table titles must be above the tables. Sources of data should be mentioned below the table.

10. **REFERENCES:** The list of all references should be alphabetically arranged. The author (s) should mention only the actually utilised references in the preparation of manuscript and they are supposed to Harvard Style of Referencing. The list of all references should be alphabetically arranged. The author (s) should mention only the actually utilised references in the preparation of manuscript and they are supposed to follow the references as per following:

- All works cited in the text (including sources for tables and figures) should be listed alphabetically.
- Use (**ed.**) for one editor, and (**ed.s)** for multiple editors.
- When listing two or more works by one author, use --- (20xx), such as after Kohl (1997), use --- (2001), etc, in chronologically ascending order…
- Indicate (opening and closing) page numbers for articles in journals and for chapters in books.
- Note that italics are used only for titles of books and names of journals. Double quotation marks are used for titles of journal articles, book chapters, dissertations, reports, working papers, unpublished material, etc.
- For titles in a language other than English, provide an English translation in parentheses.
- Use endnotes rather than footnotes.
- The location of endnotes within the text should be indicated by superscript numbers.
- For sources which have insufficient details to be included in the Reference, use endnotes (such as interviews, some media sources, some Internet sources).

See the following for style and punctuation in References:

Books

- Bowersox, Donald J., Closs, David J., (1996), "Logistical Management." Tata McGraw, Hill
- Hunker, H.L. and A.J. Wright (1963), "Factors of Industrial Location in Ohio," Ohio State University.

Contributions to books

- Sharma T., Kwatra, G. (2008) Effectiveness of Social Advertising: A Study of Selected Campaigns, Corporate Social Responsibility, Edited by David Crowther & Nicholas Capaldi, Ashgate Research Companion to Corporate Social Responsibility, Chapter 15, pp 287-303.

Journal and other articles

- Schemenner, R.W., Huber, J.C. and Cook, R.L. (1987), "Geographic Differences and the Location of New Manufacturing Facilities," Journal of Urban Economics, Vol. 21, No. 1, pp. 83-104.
- Kiran Ravi, Kaur Manpreet (2008), Global Competitiveness and Total Factor Productivity in Indian Manufacturing, International Journal of Indian Culture and Business Management, Vol. 1, No.4 pp. 434-449.

Conference papers

- Chandel K.S. (2009): "Ethics in Commerce Education." Paper presented at the Annual International Conference for the All India Management Association, New Delhi, India, 19–22 June.

Unpublished dissertations and theses

- Kumar S. (2006): "Customer Value: A Comparative Study of Rural and Urban Customers," Thesis, Kurukshetra University.

Online resources

- Always indicate the date that the source was accessed, as online resources are frequently updated or removed.

Website

- Kelkar V. (2009): Towards a New Natutal Gas Policy, Economic and Political Weekly, Viewed on 11 September 2009 http://epw.in/epw/user/viewabstract.jsp

A COMPARATIVE STUDY ON THE PRICE MOVEMENTS BETWEEN GOLD AND CRUDE OIL BETWEEN 2006 AND 2007

PROF. (DR.) A. OLIVER BRIGHT
Professor and Head
Department of M.B.A.
Loyola Institute of Technology and Science
THOVALAI

MR. KARTHIK
Team Member
Ford Business Services
CHENNAI

ABSTRACT

Normally the price movements of gold and crude will be in the same direction. But during 2006 and 2007 the price movement of gold and crude was abnormal and there seemed a high volatility. Normally the investors predict same pattern of fluctuations in the price movements between gold and crude. So the investors were not in a position to take the investment decision. Hence a study was conducted to analyze the pattern of price movements. The graphical representation of price movements for 24 months from Jan 2006 to Dec 2007 was collected and analyzed. The pattern of price and the relationship between the prices of gold and crude during these 24 months analyzed. The reasons for the fluctuations were probed and certain reasons are identified. Certain general suggestions are made for the invertors in taking decision to invest in gold and crude when similar situations are experienced by the investors in future.

INTRODUCTION

The gold and crude oil play a vital role in the world economy and international commodity market. Even though the application of both gold and crude oil are different, the gold and crude have a wide usage in all developed, developing and under developed countries. But, the oil reservoirs are not universally gifted to all the countries throughout the world. The requirements differ from country to country according to their usage or consumption. If there is a gap between the volume produced in the respective country and the requirements, the country will go for importing. Both gold and crude have a great historic development based on their utilities. Hence it is necessary to learn the history and present scenario of gold and crude. It is briefly depicted here.

GOLD

Gold is the oldest precious metal known to man. Therefore, it is a timely subject for several reasons. The 8,000 years of experience say "gold is forever". The most famous England Economist, John Maynard Keynes, has cynically called the gold as "barbarous relic." It is believed that gold is "good as gold". However, we think that the more pragmatic ancient Egyptians were perhaps more accurate in observing that, gold's value was a function of its pleasing physical characteristics and its scarcity. The gold has the following unique features.

- Gold is primarily a monetary asset and partly a commodity.
- More than two thirds of gold's total accumulated holdings account as 'value for investment' with central bank reserves, private players and high-carat Jewells in India.
- Less than one third of gold's total accumulated holdings are as a 'commodity' for Jewell in Western markets and usage in industry.
- The Gold market is highly liquid and gold held by central banks, other major institutions and retail Jewelers keep coming back to the market.
- Due to large stocks of Gold as against its demand, it is argued that the core driver of the real price of gold is stock equilibrium rather than flow equilibrium.
- Economic forces that determine the price of gold are different.
- South Africa is the world's largest gold producer with 394 tons in 2001, followed by US and Australia.
- India is the world's largest gold consumer with an annual demand of 800 tons.

The price moments of Gold and Crude oil were heavily fluctuating during the year 2006 and 2007. The pattern of the trend is studied in this project.

CRUDE OIL

General Characteristics

- Crude oil is a mixture of hydrocarbons that exists in a liquid phase in natural underground reservoirs. Oil and gas account for about 60 per cent of the total world's primary energy consumption.
- Almost all industries including agriculture are dependent on oil in one way or other. Oil & lubricants, transportation, petrochemicals, pesticides and insecticides, paints, perfumes, etc. are directly affected by the oil prices.
- Aviation gasoline, motor gasoline, naphtha, kerosene, jet fuel, distillate fuel oil, residual fuel oil, liquid petroleum gas, lubricants, paraffin wax, petroleum coke, asphalt and other products are obtained from the processing of crude and other hydrocarbon compounds.
- The prices of crude are highly volatile. High oil prices lead to inflation that in turn increases input cost. It reduces non-oil demand and lowers the investment in net oil importing countries.

Categories of Crude oil

- West Texas Intermediate (WTI) crude oil is of very high quality. Its API gravity is 39.6 degrees (making it a "light" crude oil), and it contains only about 0.24 percent of sulphur (making a "sweet" crude oil). WTI is generally priced at about a $2 to $ 4 per-barrel premium to OPEC.
- Brent Crude Oil stands as a benchmark for Europe.
- India is very much reliant on oil from the Middle East. The OPEC has identified China & India as their main buyers of oil in Asia.

Crude Oil Units (average gravity)

- 1 US barrel = 42 US gallons.
- 1 US barrel = 158.98 liters.
- 1 tone = 7.33 barrels.

- 1 short ton = 6.65 barrels.
  Note: barrels per ton vary from origin to origin.

For years together, there exists a continuous raise in price for the gold and crude. The usage of the gold and crude is also going up due to wide applications. Even though, government of India had taken many steps to introduce alternative energy like bio-gas, it was not able to succeed to the expected level of production to meet the current requirements. Moreover, the prices of gold and crude are not stable. There are many players in the commodity market playing different roles like brokers, traders, investors etc. In India, many investors engaged in online trading of commodity. As both the gold and crude have upward trend in their price movements, many investors are attracted towards these two commodities. During the year 2006 and 2007, both the gold and crude prices were highly volatile in nature. So, the investors often confused to choose between these two due to high volatility in gold and crude price during this period. Hence, this study is made to help the investors to know the pattern of change in prices of gold and crude so as to decide whether to invest in gold or crude or both.

OBJECTIVES OF THE STUDY

1. To make a study on the prices of Gold and Crude oil in the year 2006 and 2007.
2. To make a study on the pattern of changes in gold and crude oil prices during 2006 – 2007.
3. To make suggestions to the investors who are interested in investing in gold and crude during the similar situations that occurred in the commodity market for gold and crude.

SCOPE OF THE STUDY

Today, MCX features amongst the world's top three bullion exchanges and top four energy exchanges. MCX offers a wide spectrum of opportunities to a large cross section of participants including producers/processors, traders, corporate, regional trading centre, importers, exporters, co-operatives and industry associations amongst others. The Headquarter is in the financial capital of India, Mumbai. National Commodity and Derivatives Exchange Limited (NCDEX) is a professionally managed on-line multi-commodity exchange promoted by Life Insurance Corporation of India (LIC), National Bank of Agriculture and Rural Development (NABARD) and National Stock Exchange of India Limited (NSE). It also provides a wide spectrum of opportunities to a large cross section of participants for commodity trading.

The price movements of Gold and Crude oil were heavily fluctuating during the year 2006 and 2007. Every day the prices of both gold and crude oil are varying during this period. Even though there is an upward movement in an average level for both prices of gold and crude oil there is a difference in pattern of changes. So the investors are not in a position to decide the better option for investment between gold and crude. So, this study would give an idea to the investors in future when such similar situation prevails in the commodity market for gold and crude.

METHODOLOGY

1. The Graphical Representations are made to know the pattern of price changes.
2. The Correlation is calculated for 24 months from January 2006 to December 2007 by using the following formula :

$$r = \frac{(x-\overline{x})\ (y-\overline{y})}{\sqrt{(x-\overline{x})^2\ (y-\overline{y})^2}}$$

This is used to find out the relationship of the prices between the gold and crude oil at different periods from January 2006 to December 2007. The correlation for every month of gold and crude helps to understand the degree of pattern between the prices of gold and crude in the respective months.

DATA COLLECTION

PRIMARY DATA

No Primary data used for this study.

SECONDARY DATA

The secondary data were collected from the following:

1. Company broachers
2. Commodity websites
3. Journals
4. Specified books

TOOLS OF ANALYSIS

1. Correlation Analysis
2. Value Chart Analysis
3. Graphs

INTRODUCTION

A. COMMODITY MARKET

The vast geographical extent of India and her huge population is aptly complemented by the size of her market. The broadest classification of the Indian Market can be made in terms of the commodity market and the bond market. Here, we shall deal with the former in a little detail.

The Commodity market in India comprises of all palpable markets that we come across in our daily lives. Such markets are social institutions that facilitate exchange of goods for money. The cost of goods is estimated in terms of domestic currency. Indian Commodity Market can be subdivided into the following two categories

- Wholesale Market
- Retail Market

PRESENT SCENARIO

The traditional wholesale market in India dealt with whole sellers who bought goods from the farmers and manufactures and then sold them to the retailers after marking a profit in the process. It was the retailers who finally sold the goods to the consumers. With the passage of time the importance of whole sellers began to fade out for the following reasons:

- The whole sellers in most situations acted as mere parasites. They did not add any value to the product but raised its price which was eventually faced by the consumers.
- The improvement in transport facilities made the retailers directly interact with the producers and hence the need for whole sellers was not felt.

In recent years, the extent of the retail market (both organized and unorganized) has evolved in leaps and bounds. In fact, the success stories of the commodity market of India in recent years has mainly centered on the growth generated by the Retail Sector. Almost every commodity under the sun both agricultural and industrial is now being provided at well distributed retail outlets throughout the country.

Moreover, the retail outlets belong to both the organized as well as the unorganized sector. The unorganized retail outlets of the yesteryears consist of small shop owners who are price takers where consumers face a highly competitive price structure. The organized sectors on the other hand are owned by various business houses like Pantaloons, Reliance, TATA and others. Such markets usually sell a wide range of articles both in agricultural and manufactured, edible and inedible, perishable and durable. Modern marketing strategies and other techniques of sales promotion enable such markets to draw customer from every section of the society. However, the growth of such markets has still centered on the urban areas primarily due to infrastructural limitations.

B. NYMEX - NEWYORK MERCHANTILE EXCHANGE

The New York Mercantile Exchange Inc. is the world's largest physical commodity futures exchange and the prominent trading forum for energy and precious metals. The Exchange has stood for market integrity and price transparency for more than 135 years. Transactions executed on the Exchange avoid the risk of counterparty default because the New York Mercantile Exchange clearing house acts as the counterparty to every trade. Trading is conducted in energy, metals, soft and environmental commodity futures and options via the Chicago Mercantile Exchange Electronic Trading System, open outcry, and New York Mercantile Exchange Clear Port.

New York Mercantile Exchange pioneered the development of energy futures and options contracts in 1978 as means of bringing price transparency and risk management to this vital market.

We invite you to explore our site and learn more about New York Mercantile Bank, our markets, and other information of public interest.

DEALINGS

New York Mercantile Exchange provides markets for the trading and clearing of crude oil, gasoline, heating oil, natural gas, electricity, propane, coal, uranium, environmental commodities, soft, gold, silver, copper, aluminum, platinum, and palladium. Many different types of options are also available for most of these products, including options on the price differentials between crude oil and its products (crack spreads). Various futures contract months (calendar spreads), and European and Asian style options.

In addition to its benchmark physically delivered products, New York Mercantile Exchange also offers financially settled full-sized and New York Mercantile Exchange min NYTM contracts.

The New York Mercantile Exchange Clear Port Clearing system helps the marketplace mitigate counterparty credit risk by processing off-exchange transactions through New York Mercantile Bank's clearing house in the same manner as the Exchange's core futures contracts. Each day, hundreds of thousands of transactions in more than 400 energy markets are cleared through the New York Mercantile Exchange Clear Port clearing system.

HOW TO GET STARTED

Investors looking for a fast paced dynamic market with excellent liquidity that can act as a counterweight to the stocks and bonds in their portfolio will want to learn more about the New York Mercantile Exchange futures and options markets.

The Challenge in meeting this price volatility takes place in the vigorous given and take among the traders on the New York Mercantile Exchange where the best up-to-the minute price emerges from their consensus. The price quotations are then used as benchmarks by buyers and sellers in the energy and metal markets worldwide.

Future prices are not price predictions, but are the collective current opinion of the market place of where prices appear to be heading. That opinion and the direction of prices can change in an instant, which makes trading these markets so challenging and potentially rewarding.

A MARKET OPEN TO ALL

New York Mercantile Exchange is a public market forum and anyone can apply a role in these vital global markets. Participation is not difficult, but a few requirements must be met. The first step is to open an account through a licensed Series 3 commodity futures broker.

FINDING THE RIGHT BROKER

The broker will be your point of entry to the markets, so make your selection with the same care and due diligence as you would any other financial services professional upon whom you rely.

The broker you choose should serve a clientele geared towards your level of trading. Some brokers mainly deal with commercial and institutional customers, some with individuals of high net worth, while others primarily serve smaller investors.

BROKERS OFFER DIFFERENT LEVELS OF SERVICE

1. A full service brokerage firm will be able to offer advice on investments and strategy, provide research, and contact you regularly with trading advice. A full-service brokerage could be especially useful if you are following many markets. The fees at a full service firm are usually higher than other types of firms.

2. Discount brokers offer limited services and charge lower fees. Investors who do their own research and are confident in their trading abilities often find that discount brokers meet their needs.
3. Introducing brokers are full service firms which execute the buy and sell orders through the large well known financial houses which are clearing members of the Exchange. Introducing brokers are usually found in smaller cities and while they may not have the name recognition of a big Wall Street firm, their service is often top- notch.

Once you decide on the type of broker fits your needs and abilities, how do you know who is reputable?

The first place to check is with the National Futures Association which keeps records of any disciplinary actions against brokers. Through its online system, Background Affiliation Status Information Center (BASIC), NFA makes available registration information and futures - related actions contributed by NFA, the Commodity Futures Trading Commission (CFTC) and the U.S futures exchanges. For registration information that is not available in BASIC, contact NFA's Information Center at (800) 621 – 3750. The NFA plays an important role in the futures industry's self regulatory responsibilities by screening all firms and individuals wishing to conduct business with the investing public. NFA's activities are overseen by the CFTC, the government agency responsible for regulating the U.S. Futures industry.

Virtually, every firm or individual who conducts commodity futures or options business with the public must be a member of NFA and registered with the CFTC. NFA performs the registration process on behalf of the CFTC. NFA Member categories include: Commodity Trading Advisors (CTA), Commodity Pool Operators (CPO), Futures Commission Merchants (FCM) and Introducing Brokers (IB). The NFA also maintains a database of future-related information including CFTC registration information and NFA membership information

Once you have selected a broker, he will need to know certain information:

- Your financial situation.
- Your experience in trading commodity futures and options.
- You tolerance for risk.
- Your risk management or investment objectives.

Each commodity trading account can have its own characteristics and be structured to the trader's needs. Brokers are engaged in a highly competitive business and customers may find that commissions are negotiable. Many brokerage firms have streamlined the process of opening an account by making the required forms and documents available through their websites. Read all paperwork including the disclosure forms carefully and fill out the forms as accurately as possible; do not overstate your income. If the brokerage firm is not a clearing member of the Exchange, it must have a relationship with a clearing member. The broker should have the proper forms and be able to help you fill them out to establish your account including your margin account with the clearing member.

MARGIN ACCOUNTS ARE A MUST

All market participants on the New York Mercantile Exchange must have a margin account with a New York Mercantile Exchange clearing member before they can transact any business on the Exchange. Many clearing members provide brokerage services too.

Unlike the stock market, where "margin" refers to borrowed funds, margin in the commodity futures and options markets represents a performance bond - a "good faith" deposit - which can be used to cover adverse movements in prices for futures and short options positions. In order to protect market participants and the integrity of the overall market, the Exchange must ensure that participants have sufficient funds to handle losses. Margins are set by the Exchange based on its analysis of price risk and volatility in the market at that time. Margins are established at sufficiently high levels to adequately guard against market participants becoming over-extended as prices increase and decrease as market conditions change. The margin is not partial payment on a purchase.

The margin requirement also does not represent the value of the position which makes you responsible for a lot of product with a relatively small amount of money. For example, the initial margin required to open a position in a gold futures contract may be approximately $2,500 to $3,375, while the futures contract represents a quantity of gold that at the same time could be valued at approximately $ 90,000. This type of leverage can lead to quick and substantial profits – as well as losses. In fact, it is possible to lose more than the amount of money you've deposited so if the markets start moving against you, it is important to know when to incur your losses.

All positions on the New York Mercantile Exchange are marked to market each day by calculating the gain or loss in each contract position resulting from changes in the price of the futures or options contracts each trading day. If the equity in a customer's account drops to or under an amount predetermined by the Exchange the clearing member must issue a margin call for the customer to restore his equity. Positions that show a gain receive a payment form the clearing house.

OK, you've selected a broker and opened a margin account. Now it's time to put your market theories to the test. How do you do it?

Trading at New York Mercantile Exchange presents an intellectual and strategic challenge to those willing and able to take the risk. Trading can be executed through different financial instruments and venues, making New York Mercantile Bank's markets extremely flexible and useful to a wide range of market participants which benefits everyone. The more participation, the greater the liquidity of the market and the more competitive the bids to buy and offers to sell.

- The overwhelming majority of New York Mercantile Exchange trading activity is executed via electronic trading. New York Mercantile Exchange also provides two trading floors where open outcry trading takes place. All floor traders, whether acting as a broker on behalf of a customer or trading for their own account, must be a member. Open outcry is a vigorous, often an auction where each participant announces his bid or offers to the market at large, and receives responses from brokers willing to take the other side of the trade.
- Energy and metals futures and options contracts are available for trading and clearing on the Chicago Mercantile Exchange and New York Mercantile Exchange clear port platforms when the trading floor is closed, making the markets available for more than 23 hours a day. To trade electronically, one must have an account with a clearing member and be registered as a user.

A Time to Hedge / a Time to Speculate

Hedgers and speculators also called investors have divergent goals; their presence in the markets complements each other so well. Hedgers do not necessarily seek profit in the futures markets. They use the futures to help stabilize the revenues or costs of their business operations because they have on offsetting position in the physical market. A gain or loss in the futures market is usually offset to some degree by the corresponding loss or gain in the market for the underlying physical commodity.

Speculators, to the contrary, do seek profit from market movement because they do not have offsetting physical positions. However, for every speculator who tries to profit from a rising market there are those who believe they can profit in a falling market. Most speculators don't try to push the market in any direction - or fool's errand if there ever was one - instead they follow the trend, attempting to time their transactions by buying low and selling high- or first selling high and later buying back low. This flexibility to initiate a strategy as, either a buyer or a seller depending on your view is one of the beauties of the futures markets.

By taking position in the expectation of making a profit, investors fulfill a critical market role in providing the liquidity that hedgers need to easily enter and exit positions. Some traders like to keep track of market fundamentals, the nuts and bolts of supply and demand. Is the weather too hot or too cold? Are their reports of production problems or surpluses jewelry sales brisk or stagnant? Such developments in the underlying markets are often indicators of how prices may move. Other traders study the technical reasons for price movements by using computer programs and examining charts of the market's performance for clues as whether a buying or selling trend can be expected to continue or is due for a reversal.

New York Mercantile Exchange futures and options contracts are available for trading for many months in the future years in most cases. As a practical matter, the most actively traded and volatile contract months are those that are within a few months of a contract's expiration. As the expiration date of the contract draws closer, volume often picks up as activity in the futures market more closely resembles activity in the cash market for the underlying commodity.

C. MCX – MULTI COMMODITY EXCHANGE

MCX is an independent multi commodity exchange. It was inaugurated on November 10, 2003 by Mr.Mukesh Ambani, Chairman and Managing Director, Reliance Industries Ltd., and has permanent recognition from the Government of India for facilitating online trading, clearing and settlement operations for commodities futures market across the country. Today, MCX features amongst the world's top three bullion exchanges and top four energy exchanges. MCX offers a wide spectrum of opportunities to a large cross section of participants including producers/ processors, traders, corporate, regional trading centre, importers, exporters, co-operatives and industry associations amongst others. Headquartered in the financial capital of India, Mumbai, MCX is led by an expert management team with deep domain knowledge of the commodities futures market. Presently, the average daily turnover of MCX is around USD 1.55 bn (Rs.7, 000 Crore – April 2006), with a record peak turnover of USD 3.98 bn (Rs.17, 987 crore) on April 20, 2006. In the first calendar quarter of 2006, MCX holds more than 55% market share of the total trading volume of all the domestic commodity exchanges. The exchange has also affected large deliveries in domestic commodities, signifying the efficiency of price discovery. Being a nation-wide commodity exchange having a state of the art infrastructure, offering multiple commodities for trading with wide reach and penetration, MCX is well placed to tap the vast potential by the commodities market.

Key shareholders

- Financial Technologies (I) Ltd.,
- State Bank of India and its associates,
- National Bank for Agriculture and Rural Development (NABARD)
- National Stock Exchange of India Ltd., (NSE)
- Fid Fund (Mauritius) Ltd., - and affiliate of Fidelity International,
- Corporation bank,
- Union Bank of India,
- Canara bank,
- Bank of India,
- Bank of Baroda,
- HDFC bank,
- SBI Life Insurance Co. Ltd.

D. NCDEX - NATIONAL COMMODITIES AND DERIVATIVES EXCHANGE

National Commodities & Derivatives Exchange Limited (NCDEX) is a professionally managed on-line multi commodity exchange. The shareholders are:

Promoter Share Holders

The promoters are Life Insurance Corporation of India (LIC), National Bank of Agriculture and Rural Development (NABARD) and National Stock Exchange of India Limited (NSE).

Other Share Holders

The other share holders are Canara bank, CRISIL Limited (formerly, the Credit Rating Information Services of India Limited), Goldman Sachs, Inter-Continental Exchange (ICE), Indian Farmers Fertilizer Co-operative Limited (IFFCO) and Punjab National Bank (PNB).

NCDEX is the only commodity exchange in the country promoted by national level institutions. This enables it to offer many benefits, which are currently in short supply in the commodity markets. The institutional promoters and shareholders of NCDEX are prominent players in their respective fields and bring with them the institutional building experience, trust, nationwide reach, technology and risk management skills.

NCDEX is a public limited company, incorporated on April 23, 2003 under the Companies Act, 1956. It obtained its Certificate for Commencement of Business on May 9, 2003. It commenced its operations on December 15, 2003.

NCDEX is a nation-level, technology driven on-line commodity exchange with an independent Board of Directors and professional management. It is committed to provide a world-class commodity exchange platform for market participants to trade in a wide spectrum of commodity derivatives driven by best global practices, professionalism and transparency.

NCDEX is regulated by Forward Markets Commission. NCDEX is subjected to various laws of the land like the Forward Contracts (Regulation) Act, Companies Act, Stamp Act, Contract Act and various other legislations. NCDEX is located in Mumbai and offers facilities to its members about 550 centers throughout India. The reach will gradually be expanded to more centers. NCDEX currently facilitates trading of 57 commodities. Agriculture produces Barley, Cashew, Castor Seed, Channa, Chilly, Coffee-

Arabica, Coffee- Robusta, Crude Palm Oil, Cotton Seed Oilcake, Expeller Mustard Oil, Groundnut (in shell), Groundnut Expeller Oil, Guar gum, Guar Seeds, Gur, Jeera, Jute sacking bags, Indian Parboiled Rice, Indian Pusa Basmati Rice,

Indian Traditional Basmati Rice, Indian Raw Rice, Indian 28.5mm Cotton, Indian 31mm Cotton, Masoor Grain Bold, Medium Staple Cotton, Menthal Oil, Mulberry Green Cocoons, Mulberry Raw Silk,

Mustard Seed, Pepper, Potato, Raw Jute, Rapeseed - Mustard Seed Oilcake, RBD Palmolein, Refined Soy Oil, Rubber, Sesame Seeds, Soya bean, Sugar, Yellow Soya bean Meal, Tur, Turmeric, Urad, V-797, Kapas, Wheat, Peas, Metals, Aluminium, Ingot, Electrolytic Copper Cathode, Gold Mild Steel Ingots, Nickel Cathode, Silver, Sponge, Iron, Zinc, Energy, Brent Crude Oil, Furnace Oil.

E. GOLD AND CRUDE MARKET

World Gold Markets

- London as the great clearing house
- New York as the home of futures trading
- Zurich as a physical turntable
- Istanbul, Dubai, Singapore and Hong Kong as doorways to important consuming regions
- Tokyo where TOCOM sets the mood of Japan
- Mumbai under India's liberalized gold regime

The India's share in the world Gold Industry is depicted in the following table.

Table - 1

INDIA IN WORLD GOLD INDUSTRY

(Rounded Figures)	India (In Tons)	World (In Tons)	% Share
Total Stocks	13000	145000	9
Central Bank holding	400	28000	1.4
Annual Production	2	2600	0.08
Annual Recycling	100-300	1100-1200	13
Annual Demand	800	3700	22
Annual Imports	600	---	---
Annual Exports	60	---	---

Source: www.mcxindia.com

It is clear from the above table that India has strong market for gold since it has 9% share of total stocks and the annual demand is 800 tons.

INDIAN GOLD MARKET

- Gold is valued in India as a savings and investment vehicle and is the second preferred investment after bank deposits.
- India is the world's largest consumer of gold in jewels as investment.
- In July 1997, the RBI authorized the commercial banks to import gold for sale or loan to jewelers and exporters. At present, 13 banks are active in the import of gold.
- This reduced the disparity between international and domestic prices of gold from 57 percent during 1986 to 1991 to 8.5 percent in 2001.
- The gold hoarding tendency is well ingrained in Indian society.
- Domestic consumption is dictated by monsoon, harvest and marriage season. Indian jewellery off take is sensitive to price increases and even more so to volatility.
- In the cities, gold is facing competition from the stock market and a wide range of consumer goods.
- Facilities for refining, assaying, making them into standard bars in India, as compared to the rest of the world are insignificant both qualitatively and quantitatively.

MARKET MOVING FACTORS

- Above ground supply from sales by central banks reclaimed scrap and official gold loans
- Producer / miner hedging interest
- World macro-economic factors - US Dollar, Interest rate
- Comparative returns on stock markets
- Domestic demand based on monsoon and agricultural output

The frequency distribution of Gold London fixing volatility from 1995 is presented in the following table.

Table - 2

FREQUENCY DIST. OF GOLD LONDON FIXING VOLATILITY FROM 1995

Percentage Change	> 5%	2 - 5 %	< 2%
Daily			
Number of times	4	54	2147
Percentage times	0.2	2.4	**97.4**
Weekly			
Number of times	3	62	376
Percentage times	0.7	14.1	**85.3**

Source: www.mcxindia.com

From the above table it is clear that the frequency of changes in daily and weekly is mostly up to 2% and the number of times the changes occurred is maximum in daily.

BIGGEST PRICE MOVEMENT SINCE 1995

Between September 24 and October 5, 1999, daily prices witnessed a rally of more than 21 %, based on surprised announcement by 15 European central banks of a five-year suspension on all new sales of gold from their reserves.

CRUDE OIL

Indian Scenario

India ranks among the top 10 largest oil-consuming countries

General Characteristics

- Crude oil is a mixture of hydrocarbons that exist in a liquid phase in natural underground reservoirs. Oil and gas account for about 60 per cent of the total world's primary energy consumption.
- Almost all industries including agriculture are dependent on oil in one way or other. Oil & lubricants, transportation, petrochemicals, pesticides and insecticides, paints, perfumes, etc. are largely and directly affected by the oil price.
- Aviation gasoline, motor gasoline, naphtha, kerosene, jet fuel, distillate fuel oil, residual fuel oil, liquefied petroleum gas, lubricants, paraffin wax, petroleum coke, asphalt and other products are obtained from the processing of crude and other hydrocarbon compounds.
- The prices of crude are highly volatile. High oil prices lead to inflation that in turn increases input costs; reduces non-oil demand and lower investment in net oil importing countries.

Global Scenario

- Oil accounts for 40 per cent of the world's total energy demand.
- The world consumes about 76 million bbl/day of oil.
- United States (20 million bbl/d), followed by China (5.6 million bbl/d) and Japan (5.4 million bbl/d) are the top oil consuming countries.
- Balance recoverable reserve was estimated at about 142.7 billion tones (in 2002), of which OPEC was 112 billion tones.

OPEC

OPEC stands for 'Organization of Petroleum Exporting Countries'. It is an organization of eleven developing countries that are heavily dependent on oil revenues as their main source of income. The current members are Algeria, Indonesia, Iran, Iraq, Kuwait, Libya, Nigeria, Qatar, Saudi Arabia, the United Arab Emirates and Venezuela.

- OPEC controls almost 40 percent of the world's crude oil.
- It accounts for about 75 percent of the world's proven oil reserves.
- Its exports represent 55 percent.
- Oil accounts for about 30 percent of India's total energy consumption. The country's total oil consumption is about 2.2 million barrels per day. India imports about 70 percent of its total oil consumption and it makes no exports.
- India faces a large supply deficit as domestic oil production is unlikely to keep pace with demand. India's rough production was only 0.8 million barrels per day.
- The oil reserves of the country (about 5.4 billion barrels) are located primarily in Mumbai High, Upper Assam, Cambay, Krishna - Godavari and Cauvery basins.
- Balance recoverable reserve was about 733 million tons (in 2003) of which offshore was 394 million tones and onshore was 339 million tones.
- India had a total of 2.1 million barrels per day in refining capacity.

- Government has permitted foreign participation in oil exploration, an activity restricted earlier to state owned entities.
- Indian government in 2002 officially ended the Administered Pricing Mechanism (APM). Now crude price is having a high correlation with the international market price. As on date, even the prices of crude bi-products are allowed to vary +/- 10% keeping in line with international crude price, subject to certain government laid down norms/ formulae.
- Disinvestment/restructuring of public sector units and complete deregulation of Indian retail petroleum products sector is under way.

The prevailing duties and levies on crude oil is detailed as under

Table - 3

PREVAILING DUTIES & LEVIES ON CRUDE OIL

Particulars	Rates
Basic Customs Duty	10%
Cess	Rs.1800 per metric tone
NCCD*	Rs.50 per metric tone
Education cess	2%
Octroi	3%
War fedge	Rs.57 per metric tone

Source: www.mcxindia.com

Among the levies the basic customs duty is the maximum rate on crude oil.

MARKET INFLUENCING FACTORS

- OPEC output and supply.
- Terrorism, Weather/storms, War and any other unforeseen geopolitical factors that causes supply disruptions.
- Global demand particularly from emerging nations.
- Dollar fluctuations.
- DOE / API imports and stocks.
- Refinery fires & funds buying.

EXCHANGES DEALING IN CRUDE FUTURES

- The New York Mercantile Exchange (New York Mercantile Bank).
- The International Petroleum Exchange of London (IPE).
- The Tokyo Commodity Exchange (TOCOM).

The composite acquisition cost of the crude oil from April 2001 to March 2004 under different frequency variations is presented in the following table.

Table - 4

THE COMPOSITE ACQUISITION COST OF THE CRUDE OIL FROM APRIL 2001 TO MARCH 2004

Particular	Frequency of % variation			
	0 to 3.1%	3.2 to 6.2%	6.3 to 9.3%	More than 9.3%
Refiner acquisition cost for Crude oil (composite) - Average monthly price from Apr 01 to Mar 04	8	16	4	>8

Source: www.mcxindia.com

From the above table it is understood that the acquisition cost is maximum at frequency of variation 3.2 to 6.2.

INTERNATIONAL OIL PRICE VARIATION

The international oil price variation is depicted in the following table.

Table - 5

MAXIMUM PRICE VARIATION

Period considered (Based on data from Apr 94 to Mar 04)	Percentage
Monthly	23.25
Yearly	28.73

Source: www.mcxindia.com

It is understood that there is a greater percentage of variation in oil price in annual than monthly.

ANALYSIS AND INTERPRETATION

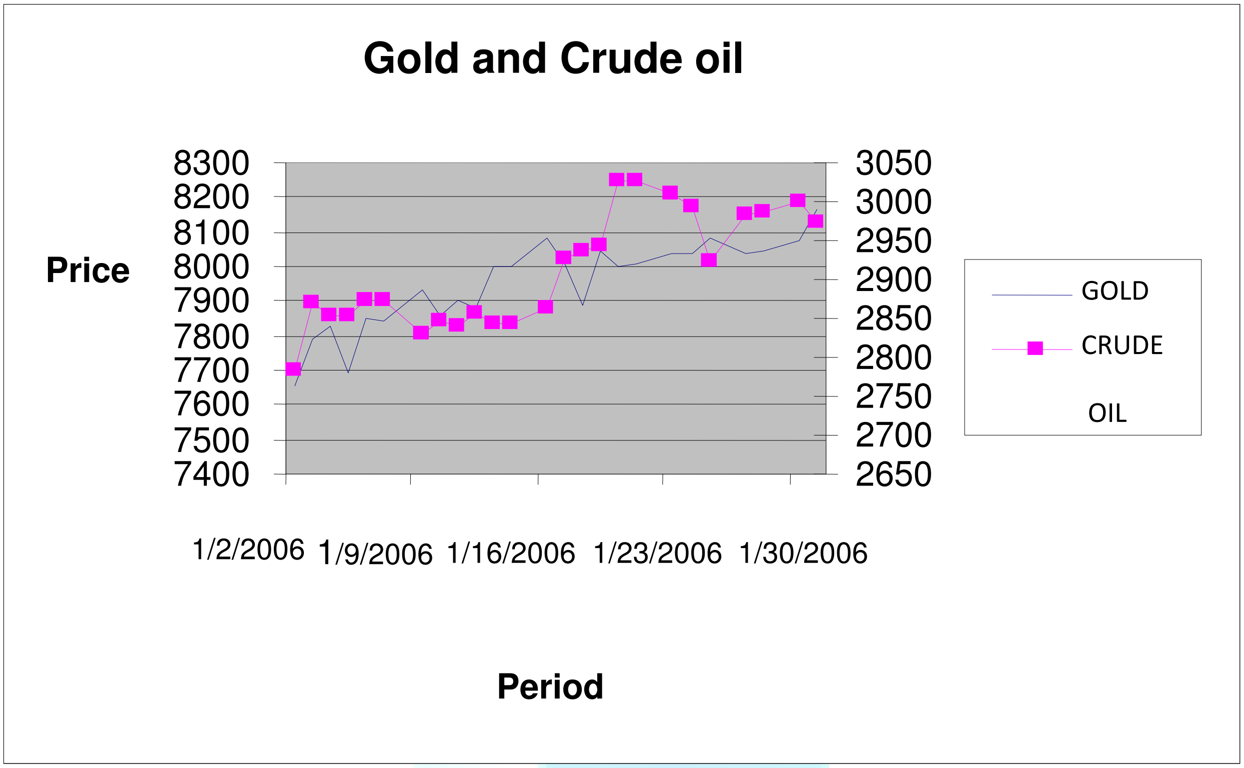
The price movements of the gold and crude for the twenty four month period of 2006 and 2007 are collected and graphical representations are made. The correlation was calculated. The analysis and interpretations are made accordingly.

January 2006

The prices of gold and crude oil for January 2006 are plotted in a graph and presented in the following

Graph – 1

THE GOLD AND CRUDE OIL PRICES FOR JANUARY 2006



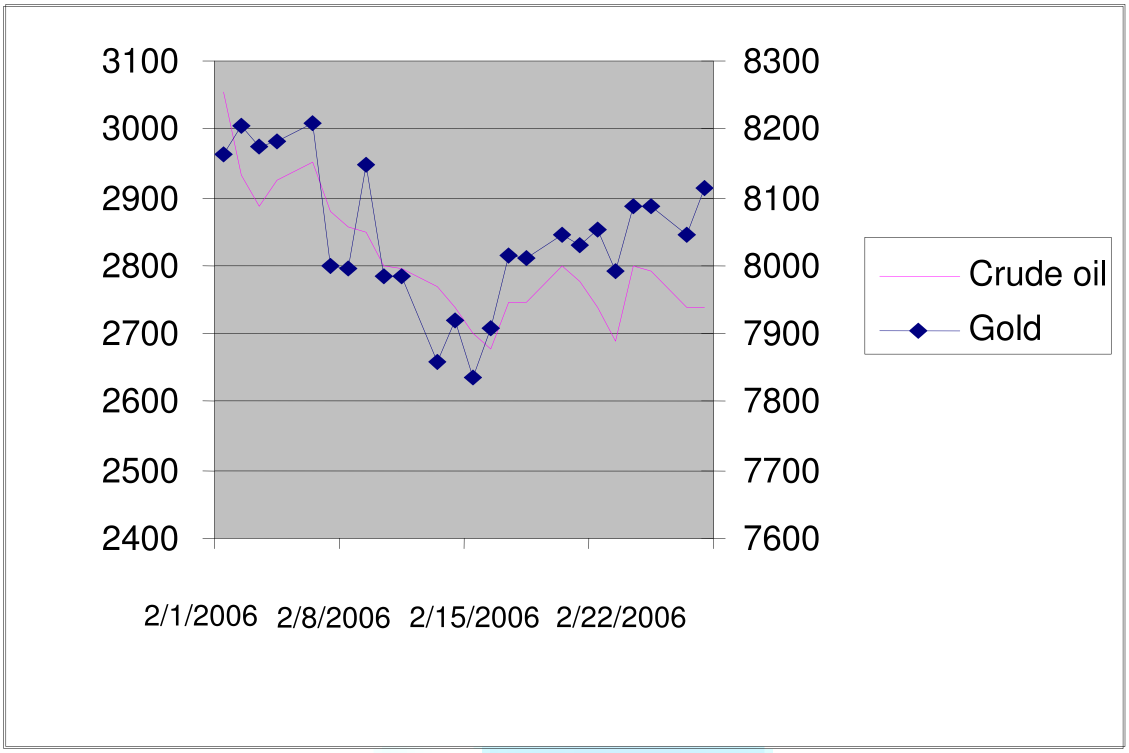
It indicates the upward direction of the price movements of gold and crude oil. The price volatility was high. The correlation coefficient between the prices of gold and crude oil for the month January 2006 is + 0.91. So it is inferred that there is a highly positive pattern of relationship between the prices of gold and crude oil during this period. The gold investment bankers raised its price by 8% and the oil production decreased by the Oil Petroleum Exporting Countries (OPEC) during this period might be the main reasons for the uptrend of gold and crude oil prices.

February 2006

The prices of gold and crude oil for February 2006 are plotted in a graph and presented in the following

Graph –2

THE GOLD AND CRUDE OIL PRICES FOR FEBRUARY 2006



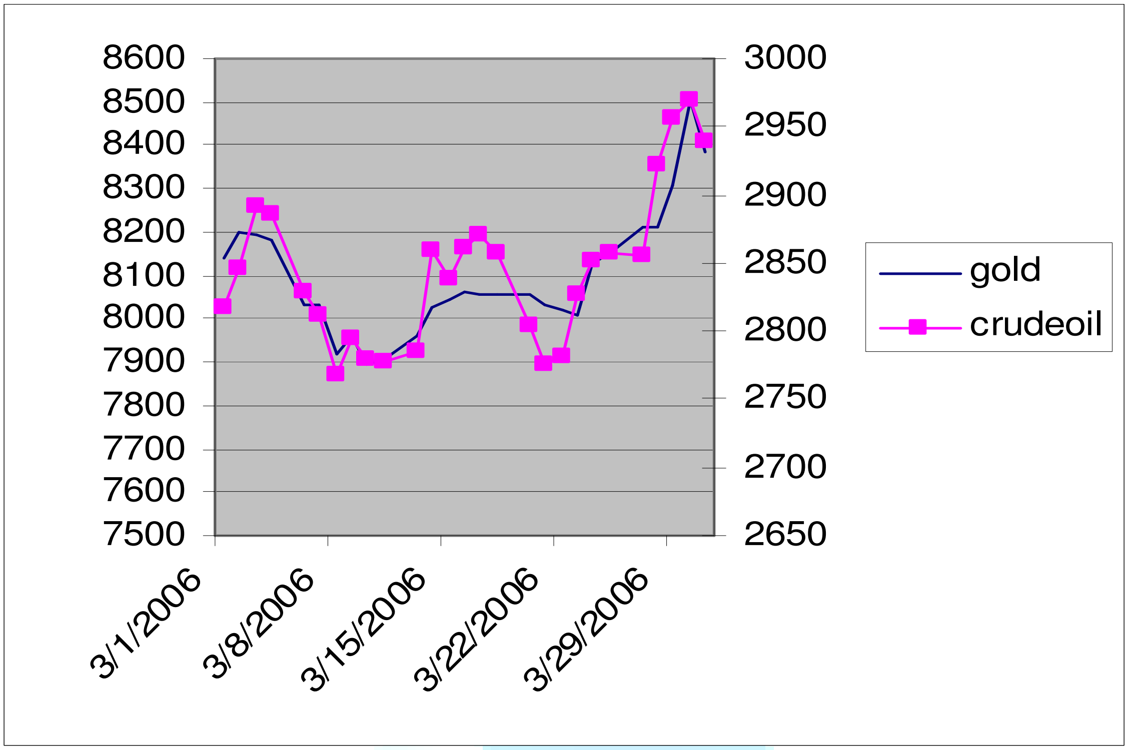
It indicates the decline trend of the prices of gold and crude oil. The price movement was highly volatile. The correlation coefficient between the prices of gold and crude oil for the month February 2006 is + 0.71. So it is inferred that there is a medium level of positive pattern of relationship between the prices of gold and crude oil during this period. The under performance of the US economy and slight increase in oil production during this period might be the main reason for the decline of gold and crude oil prices.

March 2006

The prices of gold and crude oil for March 2006 are plotted in a graph and presented in the following

Graph – 3

THE GOLD AND CRUDE OIL PRICES FOR MARCH 2006



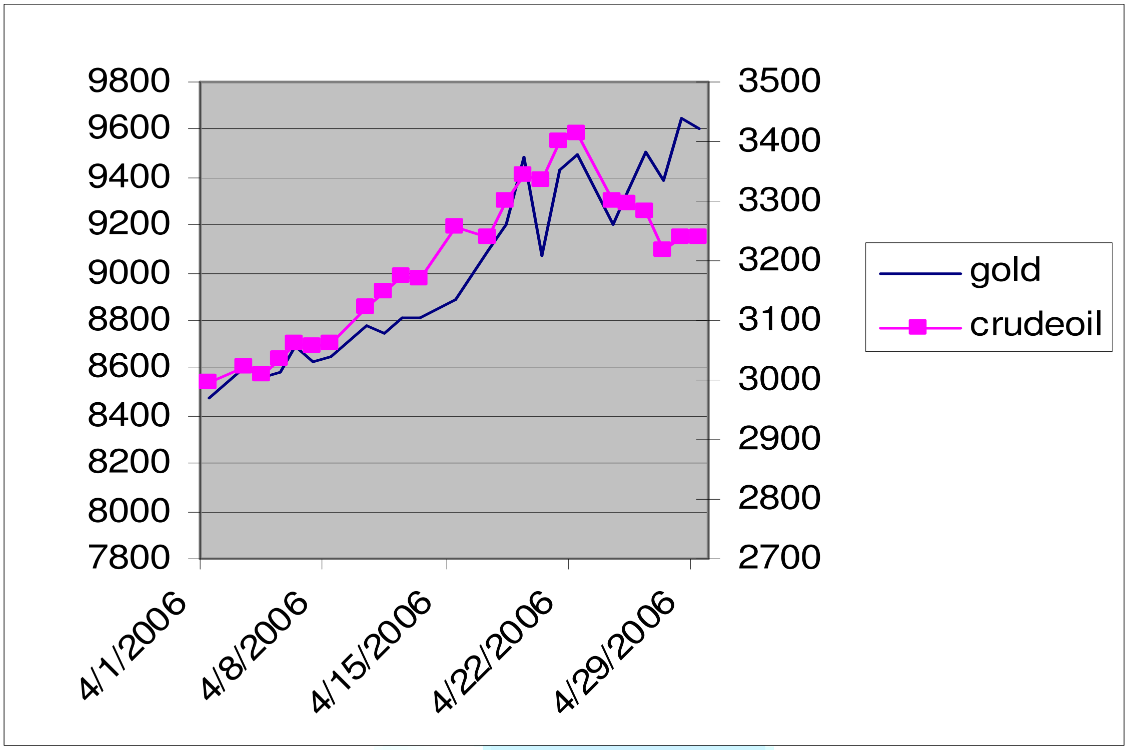
It indicates the uptrend of the prices of gold and crude oil. The price movement was highly volatile. The correlation coefficient between the prices of gold and crude oil for the month March 2006 is + 0.99. So it is inferred that there is a highly positive pattern of relationship between the prices of gold and crude oil during this period. The continuous decline of US dollar and the demand for crude oil increased in USA during this period might be the main reasons for the uptrend for the price of gold and crude oil

April 2006

The prices of gold and crude oil for April 2006 are plotted in a graph and presented in the following

Graph – 4

THE GOLD AND CRUDE OIL PRICES FOR APRIL 2006



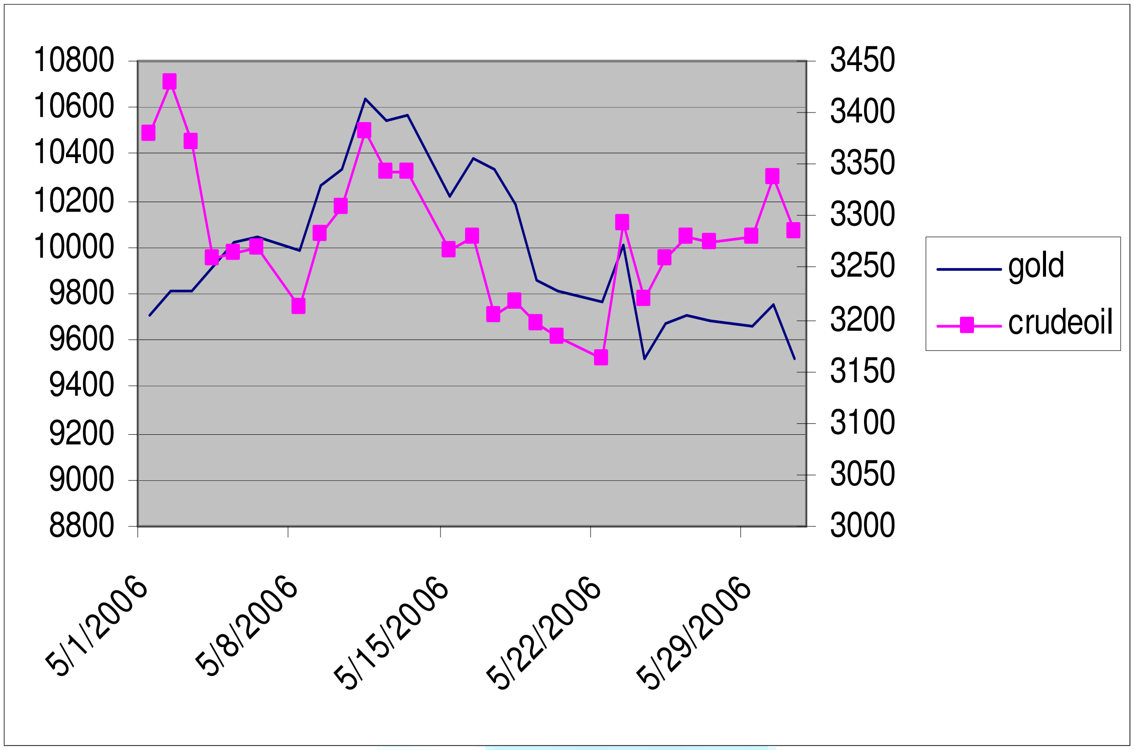
It indicates the uptrend of the prices of gold and crude oil. The price movement was highly volatile. The correlation coefficient between the prices of gold and crude oil for the month April 2006 is + 0.99. So it is inferred that there is a highly positive pattern of relationship between the prices of gold and crude oil during this period. The price target raised by the major gold bankers and slight decline in US commercial Oil Company stocks during this period might be the main reasons for the uptrend of the prices of gold and crude oil.

May 2006

The prices of gold and crude oil for May 2006 are plotted in a graph and presented in the following

Graph –5

THE GOLD AND CRUDE OIL PRICES FOR MAY 2006



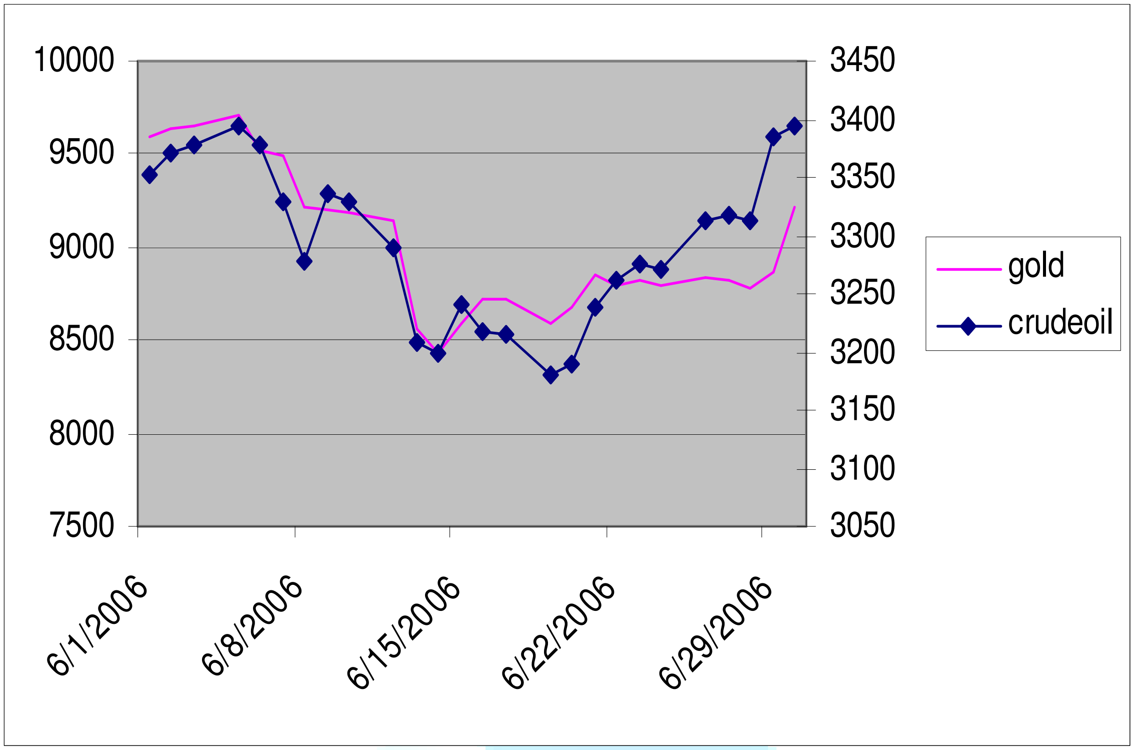
It indicates the downtrend of the prices of gold and crude oil. The correlation coefficient between the prices of gold and crude oil for the month May 2006 is + 0.84. So it is inferred that there is a medium level of positive pattern of relationship between the prices of gold and crude oil. The fluctuation of US dollar against the gold and major currencies and there was a huge declined in the consumption of crude oil during this period might be the main reasons for the downtrend of the prices of gold and crude oil.

June 2006

The prices of gold and crude oil for June 2006 are plotted in a graph and presented in the following.

Graph – 6

THE GOLD AND CRUDE OIL PRICES FOR JUNE 2006



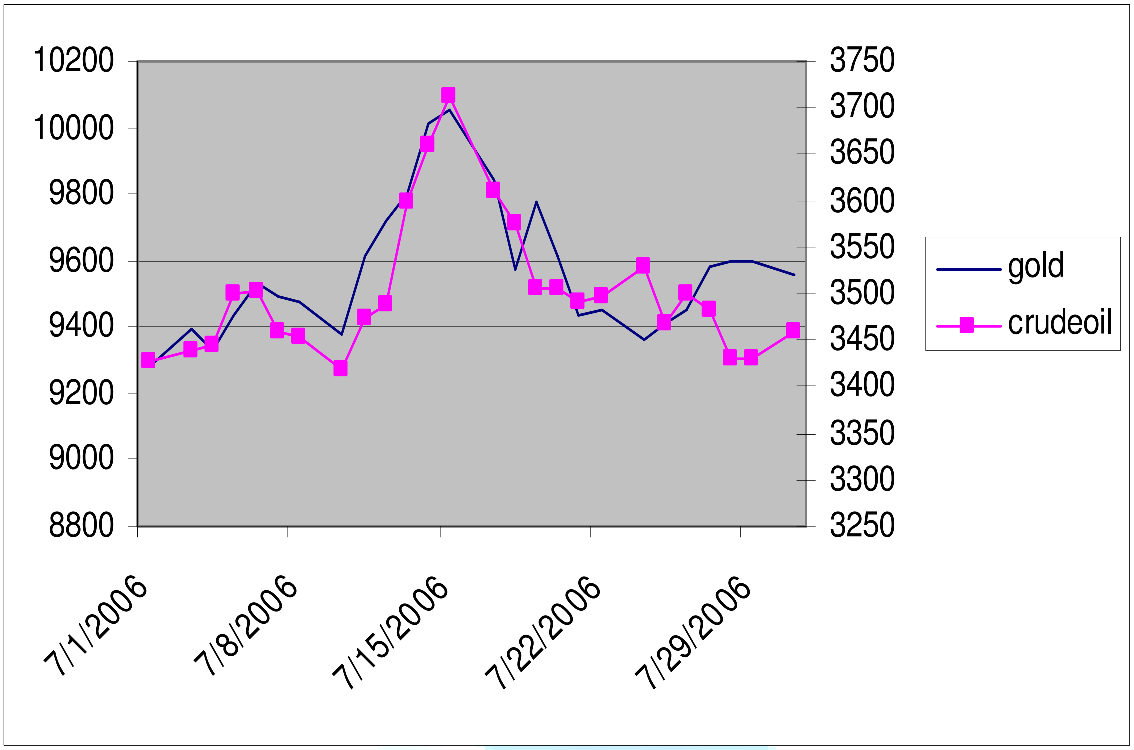
It indicates the uptrend of the prices of the gold and crude oil. The correlation coefficient between the prices of gold and crude oil for the month June 2006 is + 0.96. So it is inferred that there is a highly positive pattern of relationship between the prices of gold and crude oil during this period. The continuous Geo – political tension and decline of stock market during this period might be the main reasons for the high volatility and the uptrend of the prices of gold and crude oil.

July 2006

The prices of gold and crude oil for July 2006 are plotted in a graph and presented in the following.

Graph – 7

THE GOLD AND CRUDE OIL PRICES FOR JULY 2006



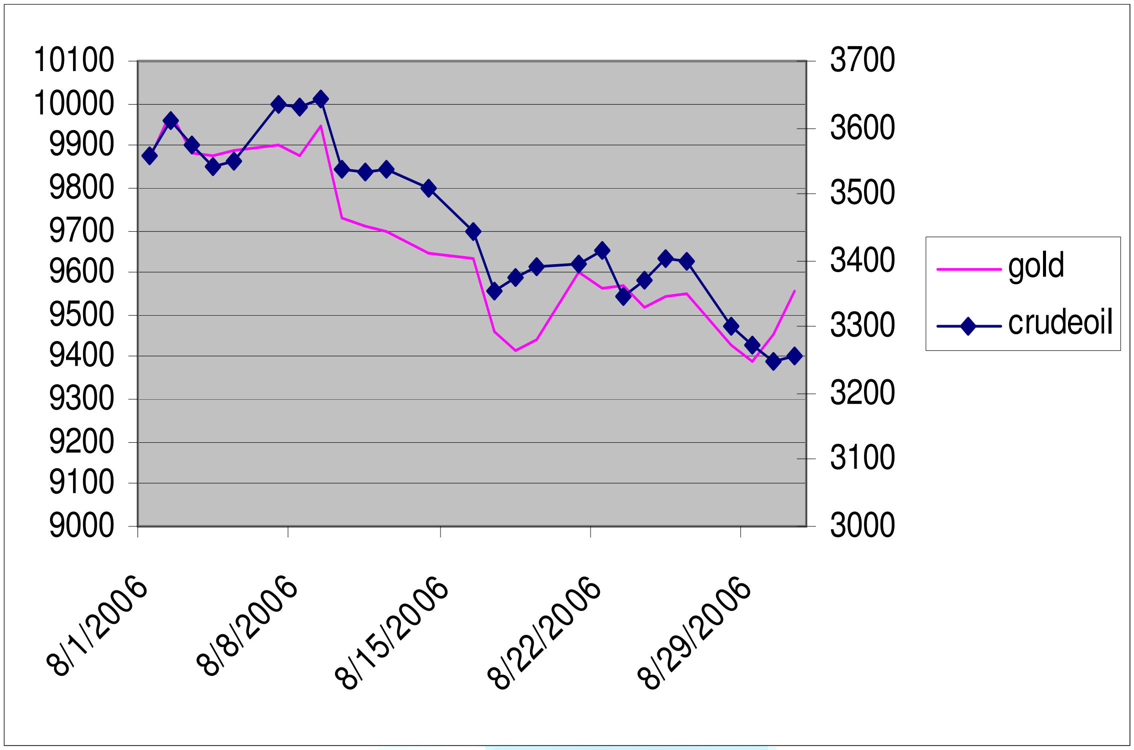
It indicates the downtrend of the prices of gold and crude oil. The correlation coefficient between the prices of gold and crude oil for the month July 2006 is + 0.95. So it is inferred that there is a highly positive pattern of relationship between the prices of gold and crude oil during this period. The fluctuation of major currencies and US dollar during this period might be the main reasons for the downtrend of the prices of gold and crude oil.

August 2006

The prices of gold and crude oil for August 2006 are plotted in a graph and presented in the following

Graph – 8

THE GOLD AND CRUDE OIL PRICES FOR AUGUST 2006



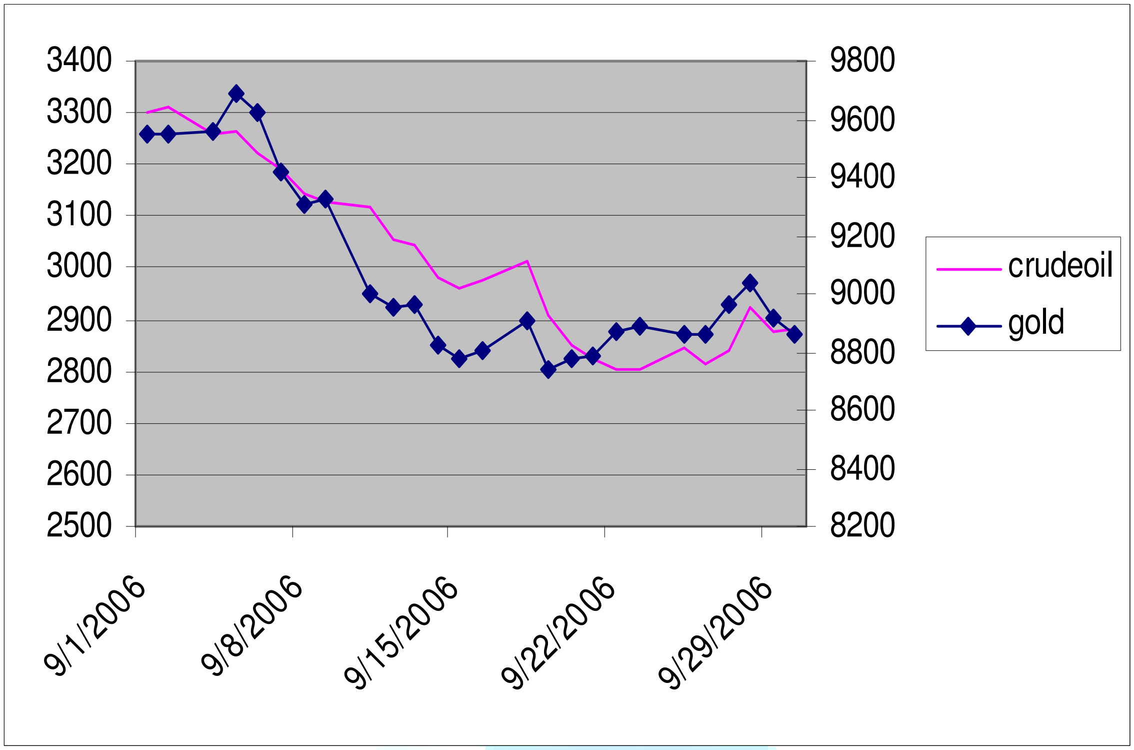
It indicates the downtrend of the prices of gold and crude oil. The correlation coefficient between the prices of gold and crude oil for the month August 2006 is +0.98. So it is inferred that there is a highly positive pattern of relationship between the prices of gold and crude oil. The exploration activities of the gold producers and the lower interest rate of Federal Reserve Bank during this period might be the main reasons for the decline of the prices of gold and crude oil.

September 2006

The prices of gold and crude oil for September 2006 are plotted in a graph and presented in the following:

Graph – 9

THE GOLD AND CRUDE OIL PRICES FOR SEPTEMBER 2006



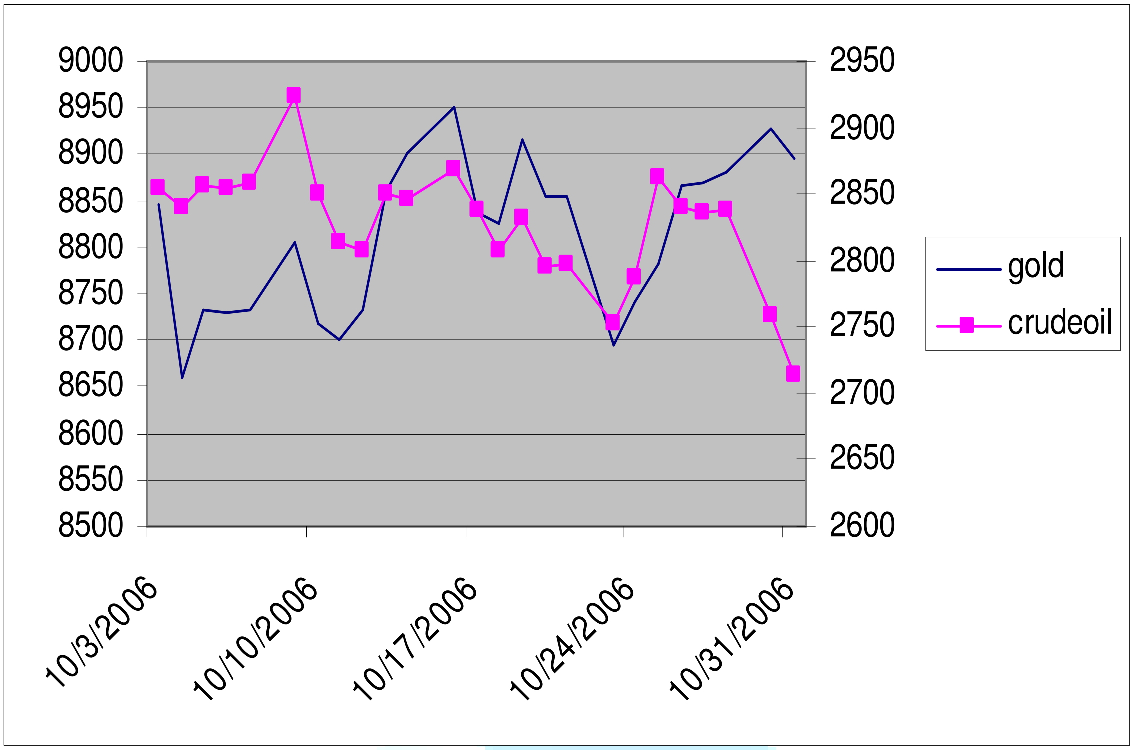
It indicates the downtrend of the prices of gold and crude oil. The correlation coefficient between the prices of gold and crude oil for the month September 2006 is +0.98. So it is inferred that there is a highly positive pattern of relationship between the prices of gold and crude oil during this period. The Barrick Gold Corporation and its two subsidiaries lowered the outlook of gold prices and lower oil demand in US during this period might be the main reasons for the decline of the prices of gold and crude oil.

October 2006

The prices of gold and crude oil for October 2006 are plotted in a graph and presented in the following

Graph – 10

THE GOLD AND CRUDE OIL PRICES FOR OCTOBER 2006



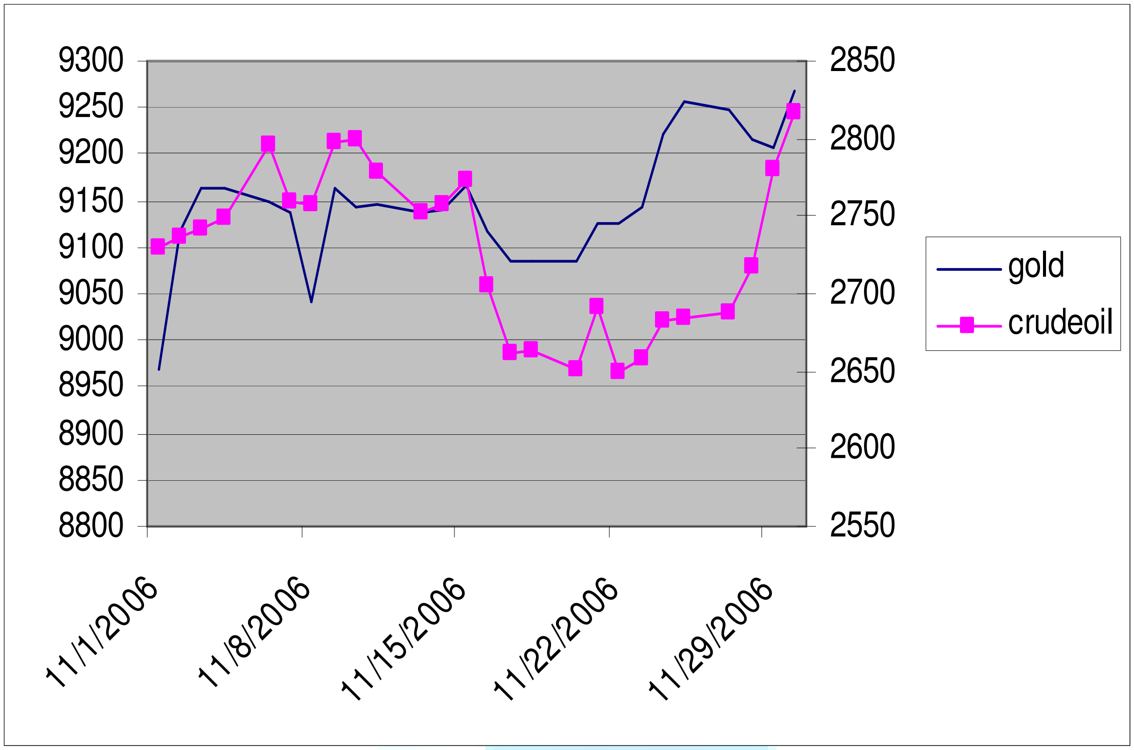
It indicates that the price movements of gold and crude oil are inverse direction at the beginning and end but with high degree of volatility during this period. The correlation coefficient between the prices of gold and crude oil for the month October 2006 is +0.95. So it is inferred that there is a highly positive pattern of relationship between the prices of gold and crude oil during this period. The major gold mines became stable from weaker position and huge supply of crude oil during this period might be the main reasons for the uptrend of gold and the downtrend of crude oil.

November 2006

The prices of gold and crude oil for November 2006 are plotted in a graph and presented in the following:

Graph – 11

THE GOLD AND CRUDE OIL PRICES FOR NOVEMBER 2006



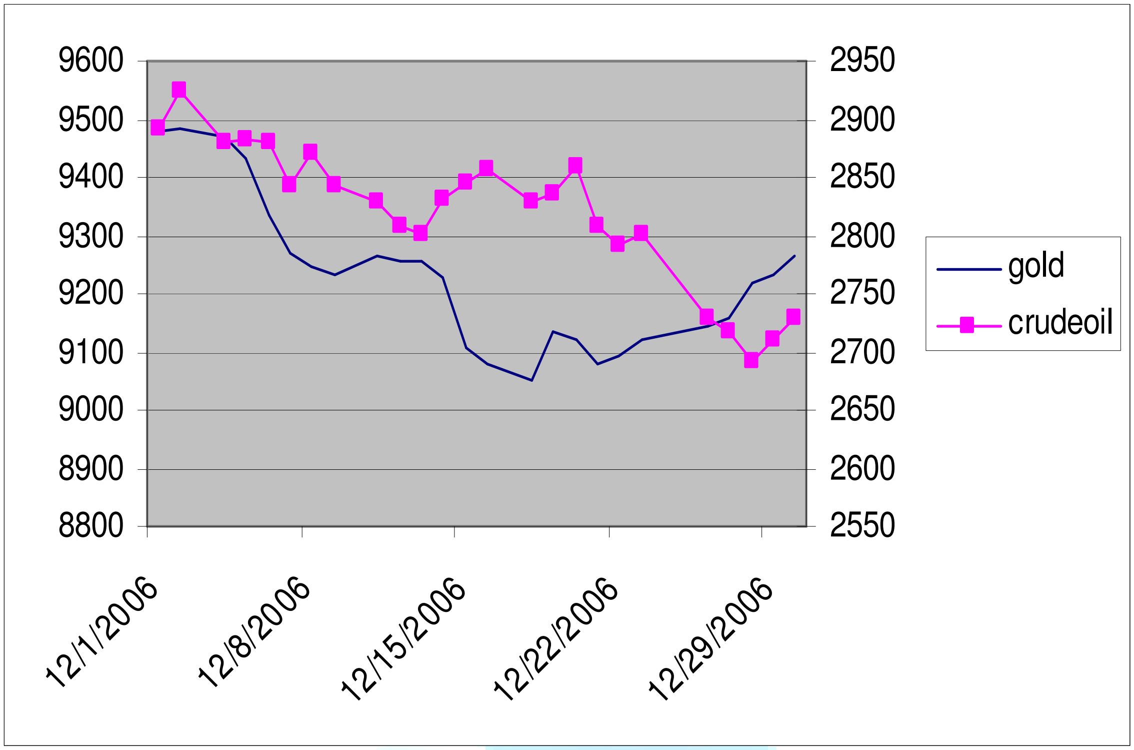
It indicates the uptrend of the prices of gold and crude oil with high degree of volatility in price movements. The correlation coefficient between the prices of gold and crude oil for the month November 2006 is + 0.93. So it is inferred that there is a highly positive relationship between the prices of gold and crude oil during this period. The debt rate of gold raised by the agencies and fluctuation of dollar during this period might be the main reasons for the uptrend of the prices of gold and crude oil.

December 2006

The prices of gold and crude oil for December 2006 are plotted in a graph and presented in the following

Graph – 12

THE GOLD AND CRUDE OIL PRICES FOR DECEMBER 2006



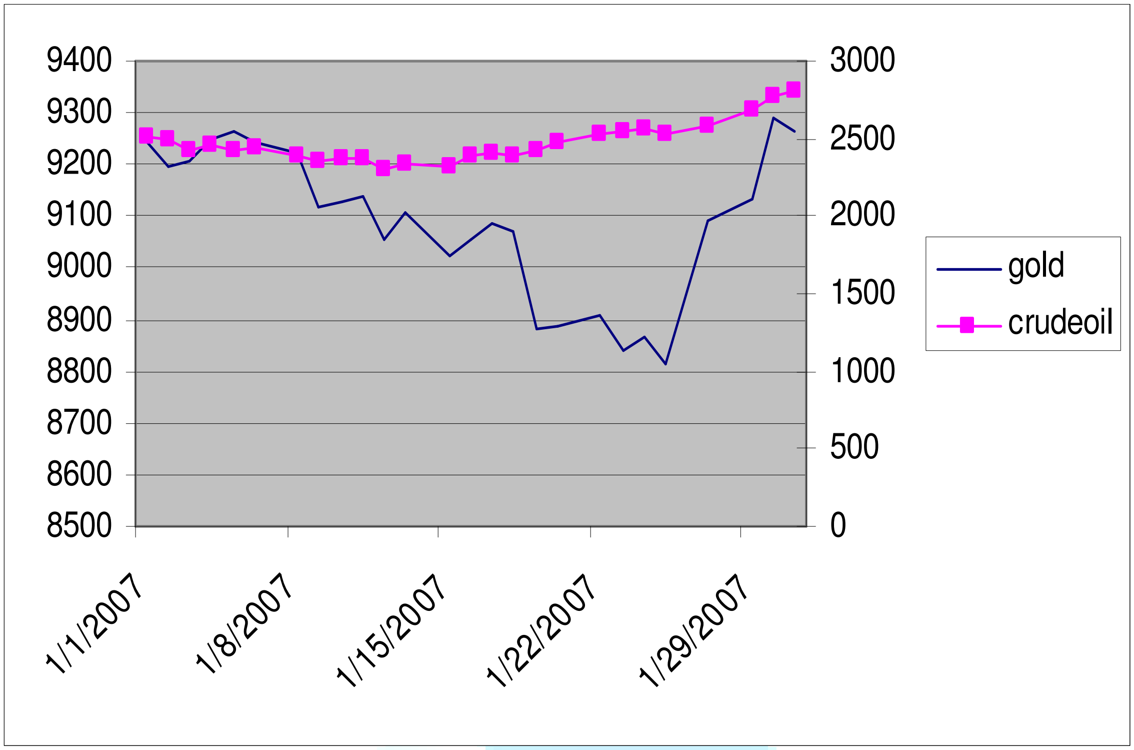
It indicates the downtrend of the prices of gold and crude. The correlation coefficient between the prices of gold and crude oil for the month December 2006 is +0.90. So it is inferred that there is a highly positive relationship between the prices of gold and crude oil during this period. The hedging ratio of gold cut by the CITI group and the huge investment in stock market during this period might be the main reasons for the downtrend of the prices of gold and crude oil.

January 2007

The prices of gold and crude oil for January 2007 are plotted in a graph and presented in the following

Graph – 13

THE GOLD AND CRUDE OIL PRICES FOR JANUARY 2007



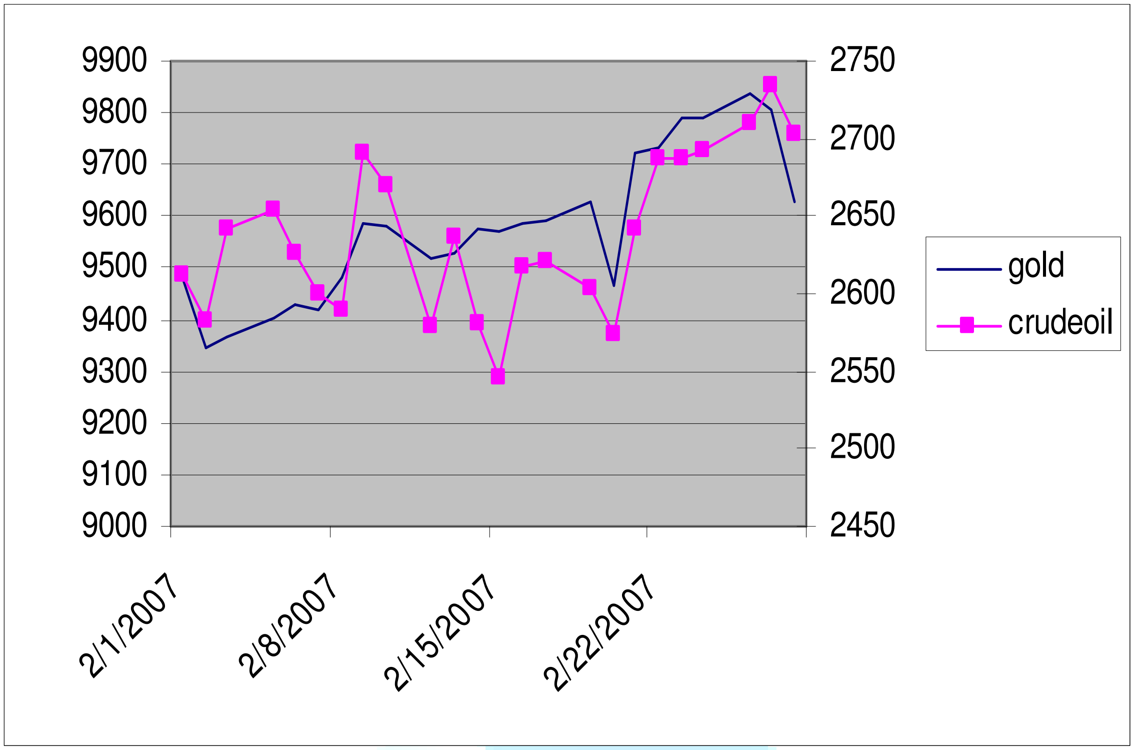
It indicates the uptrend of the gold and crude oil. The correlation coefficient between the prices of gold and crude oil for the month January 2007 is +0.86. So it is inferred that there is medium level of positive relationship between the prices of gold and crude oil during this period. The Optimistic assumption of metal prices and the huge oil demand in North America during this period might be the main reasons for the uptrend of the prices of gold and crude oil.

February 2007

The prices of gold and crude oil for February 2007 are plotted in a graph and presented in the following

Graph – 14

THE GOLD AND CRUDE OIL PRICES FOR FEBRUARY 2007



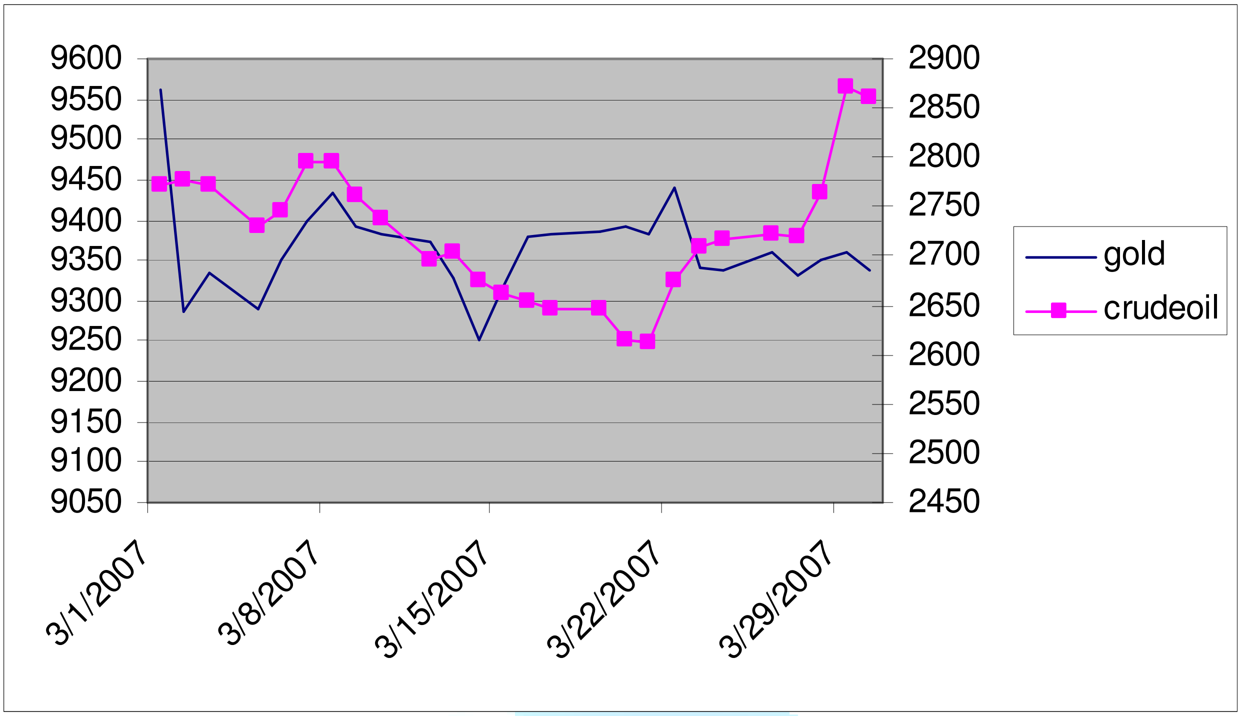
It indicates the uptrend of the prices of gold and crude oil. The correlation coefficient between the prices of gold and crude oil for the month February 2007 is +0.64. So it is inferred that there is a low level of positive relationship between the prices of gold and crude oil during this period. The strong metal prices and the continuous decline of US commercial oil stock companies during this period might be the main reasons for the uptrend of the prices of gold and crude oil.

March 2007

The prices of gold and crude oil for March 2007 are plotted in a graph and presented in the following

Graph – 15

THE GOLD AND CRUDE OIL PRICES FOR MARCH 2007



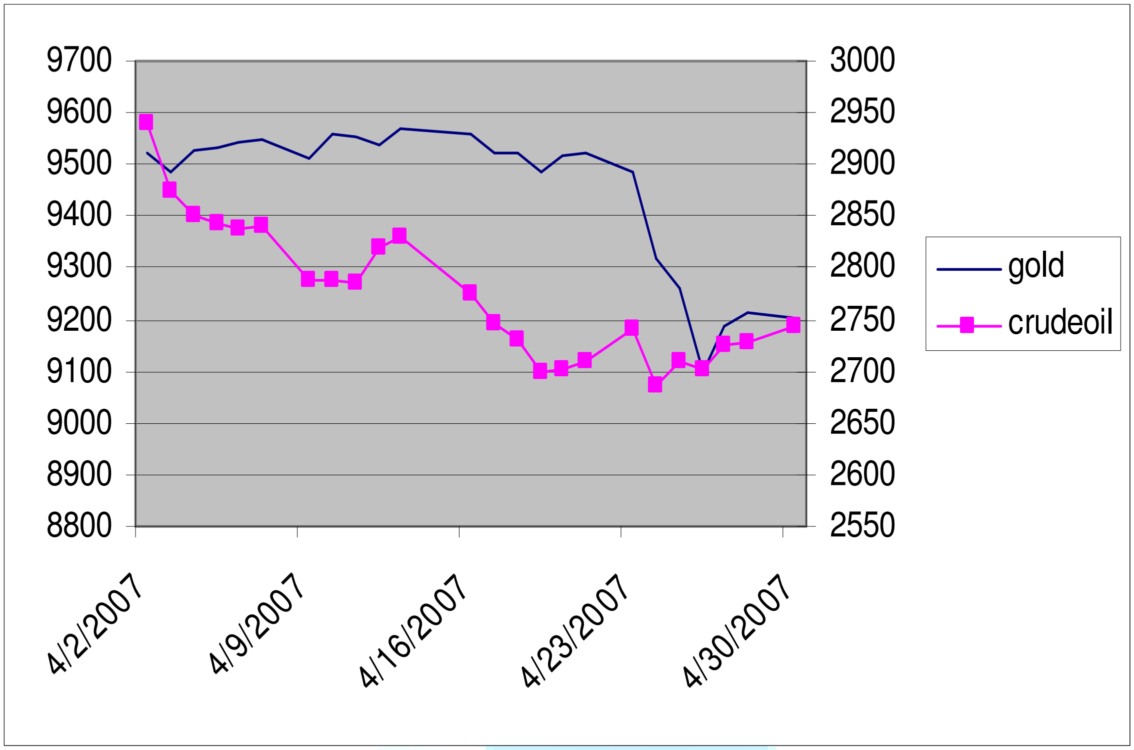
It indicates that the prices of gold and crude oil are in inverse direction but the volatility is very high. The correlation coefficient between the prices of gold and crude oil for the month March 2007 is +0.96. So it is inferred that there is a high level of positive relationship between the prices of gold and crude oil during this period. The optimistic assumption of stock market and stable production of crude oil during this period might be the main reasons for the downtrend of gold and the uptrend of the crude oil.

April 2007

The prices of gold and crude oil for April 2007 are plotted in a graph and presented in the following

Graph – 16

THE GOLD AND CRUDE OIL PRICES FOR APRIL 2007



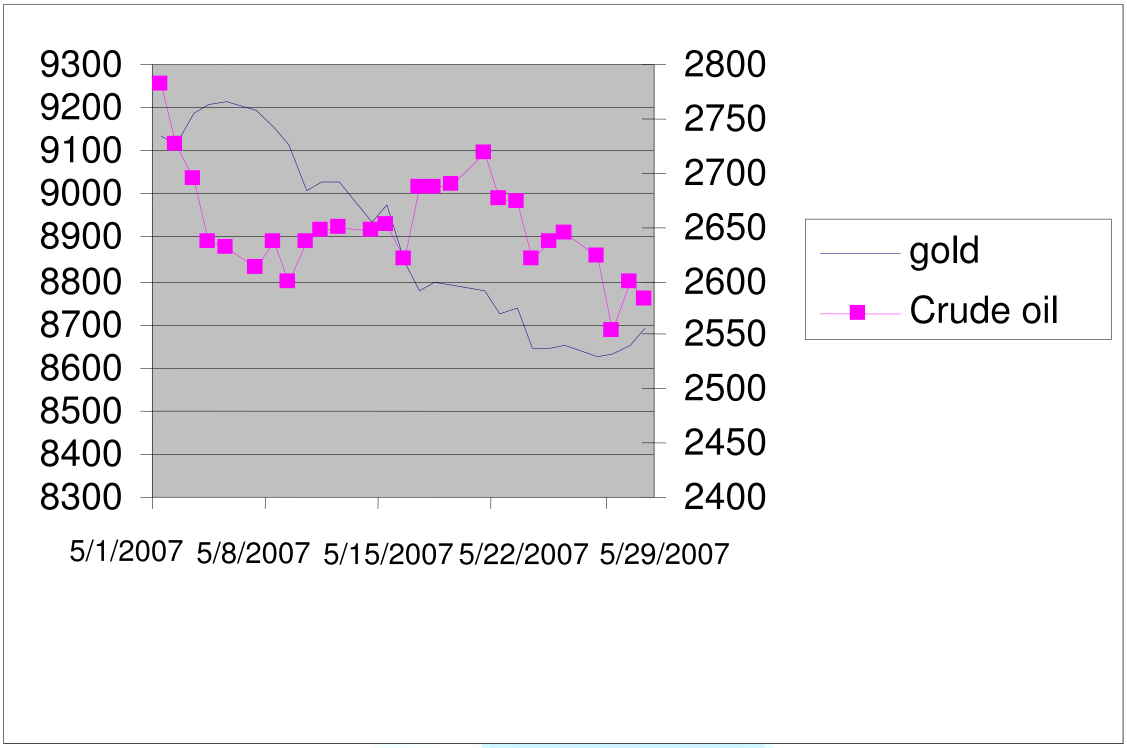
It indicates the downtrend of the prices of gold and crude oil but the volatility is not high. The correlation coefficient between the prices of gold and crude oil for the month April 2007 is + 0.51. So it is inferred that there is a low level of positive relationship between the prices of gold and crude oil during this period. The uptrend of the U.S commercial oil stock company and the debt rate decreased by the agencies during this period might be the main reasons for the downtrend of the prices of gold and crude oil.

May 2007

The prices of gold and crude oil for May 2007 are plotted in a graph and presented in the following

Graph – 17

THE GOLD AND CRUDE OIL PRICES FOR MAY 2007



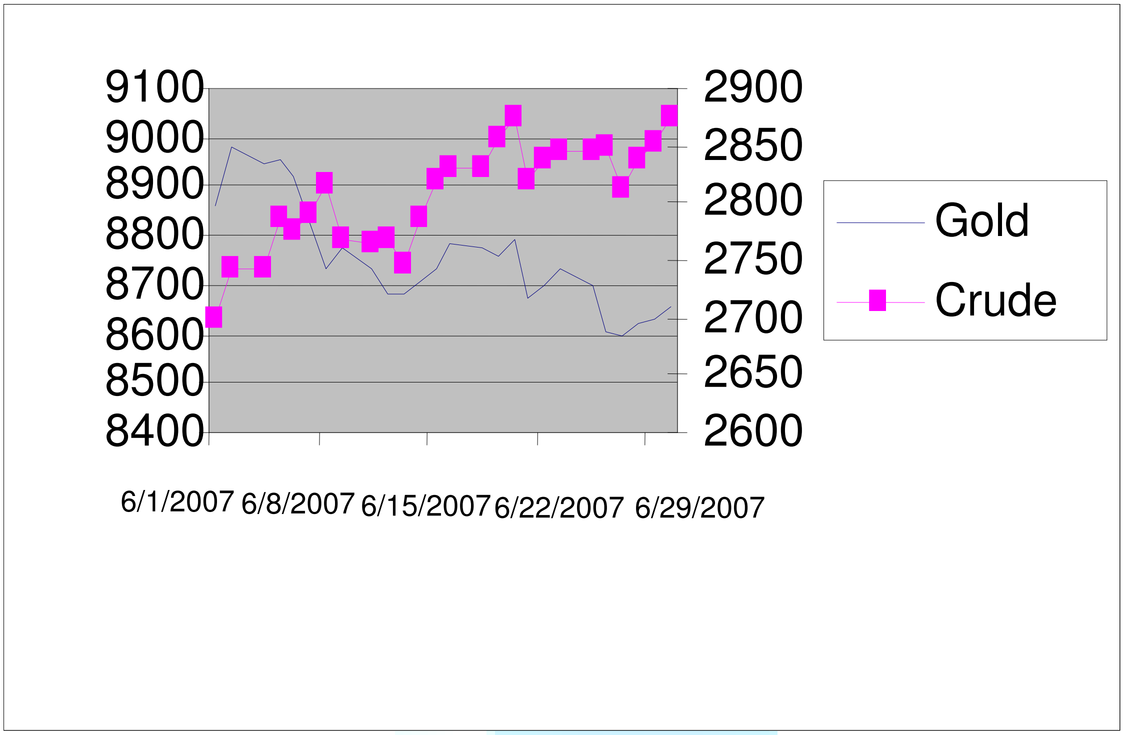
It indicates the downtrend of the prices of gold and crude oil but the volatility is not so high. The correlation coefficient between the prices of gold and crude oil for the month May 2007 is + 0.97. So it is inferred that there is a highly positive relationship between the prices of gold and crude oil during this period. The Geo- political development and the huge supply of crude oil during this period might be the main reasons for the downtrend of the prices of gold and crude oil.

June 2007

The prices of gold and crude oil for June 2007 are plotted in a graph and presented in the following

Graph – 18

THE GOLD AND CRUDE OIL PRICES FOR JUNE 2007



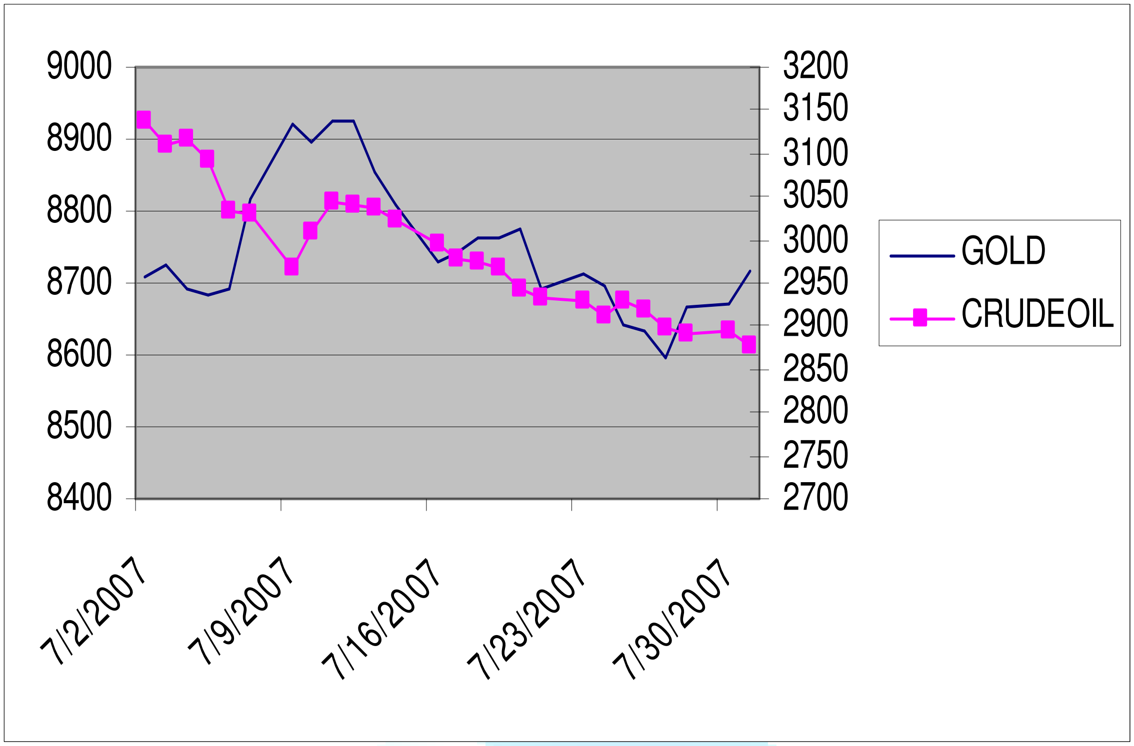
It indicates the prices of gold and crude oil are in inverse direction but the volatility is high the correlation coefficient between the prices of gold and crude oil for the month June 2007 is + 0.95. So it is inferred that there is a high level of positive relationship between the prices of gold and crude oil during this period. The strong Geo-political development and huge import of crude oil by the U.S during this period might be the main reasons for the downtrend of gold and the uptrend of crude oil.

July 2007

The prices of gold and crude oil for July 2007 are plotted in a graph and presented in the following

Graph – 19

THE GOLD AND CRUDE OIL PRICES FOR JULY 2007



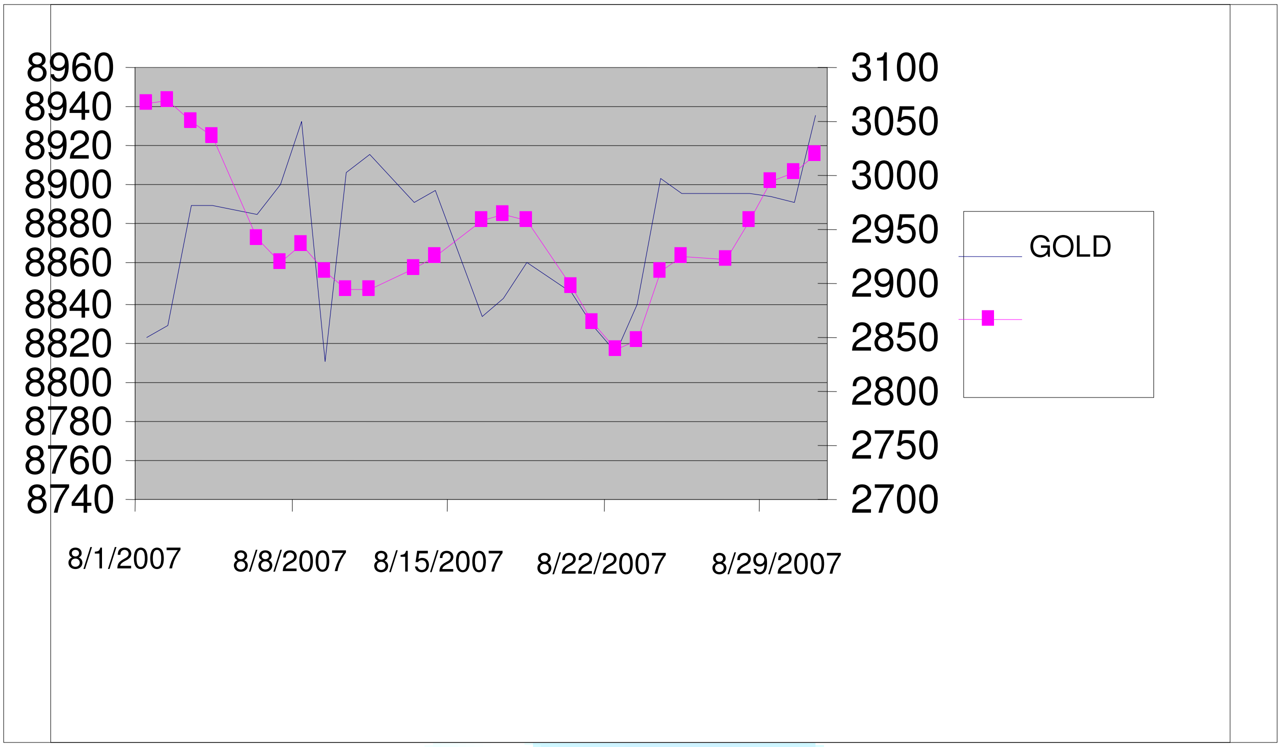
It indicates the downtrend of the prices of gold and crude oil but the price movement of crude was steeply in declining trend. The correlation coefficient between the prices of gold and crude oil for the month July 2007 is + 0.95. So it is inferred that there is a highly positive relationship between the prices of gold and crude oil during this period the bullishness of stock market, Geo-political development and the decline of US crude oil import during this period might be the main reasons for the downtrend of the prices of gold and crude oil.

August 2007

The prices of gold and crude oil for August 2007 are plotted in a graph and presented in the following

Graph – 20

THE GOLD AND CRUDE OIL PRICES FOR AUGUST 2007



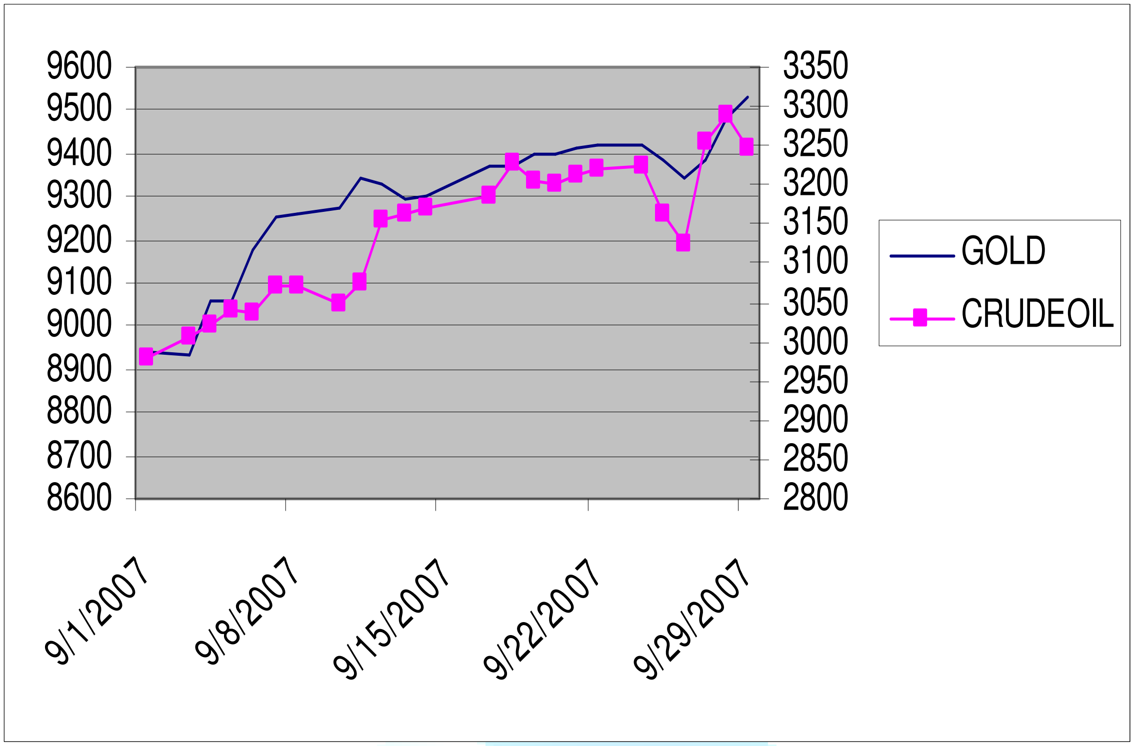
It indicates the uptrend of the prices of gold and crude oil but the volatility is very high. The correlation coefficient between the prices of gold and crude oil for the month August 2007 is + 0.96. So it is inferred that there is a highly positive relationship between the prices of gold and crude oil during this period. The raise in the investment of gold by the institutions and strong US economy during this period might be the main reasons for the uptrend of the prices of gold and crude oil.

September 2007

The prices of gold and crude oil for September 2007 are plotted in a graph and presented in the following

Graph – 21

THE GOLD AND CRUDE OIL PRICES FOR SEPTEMBER 2007



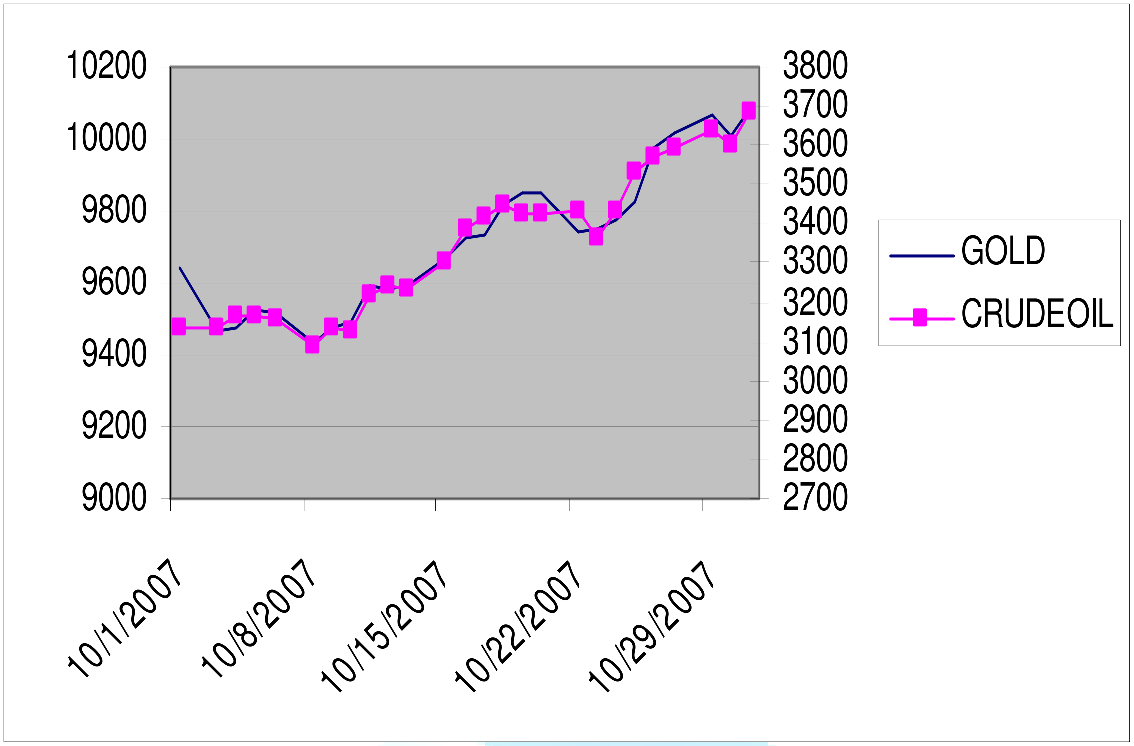
It indicates that prices of gold and crude oil are in uptrend but the volatility was low. The correlation coefficient between the prices of gold and crude oil for the month September 2007 is + 0.88. So it is inferred that there is a medium level of positive relationship between the prices of golden crude oil during this period. The bullishness of stock market and economies and war between the major currencies during this period might be the main reasons for the uptrend of golden crude oil.

October 2007

The prices of gold and crude oil for October 2007 are plotted in a graph and presented in the following

Graph – 22

THE GOLD AND CRUDE OIL PRICES FOR OCTOBER 2007



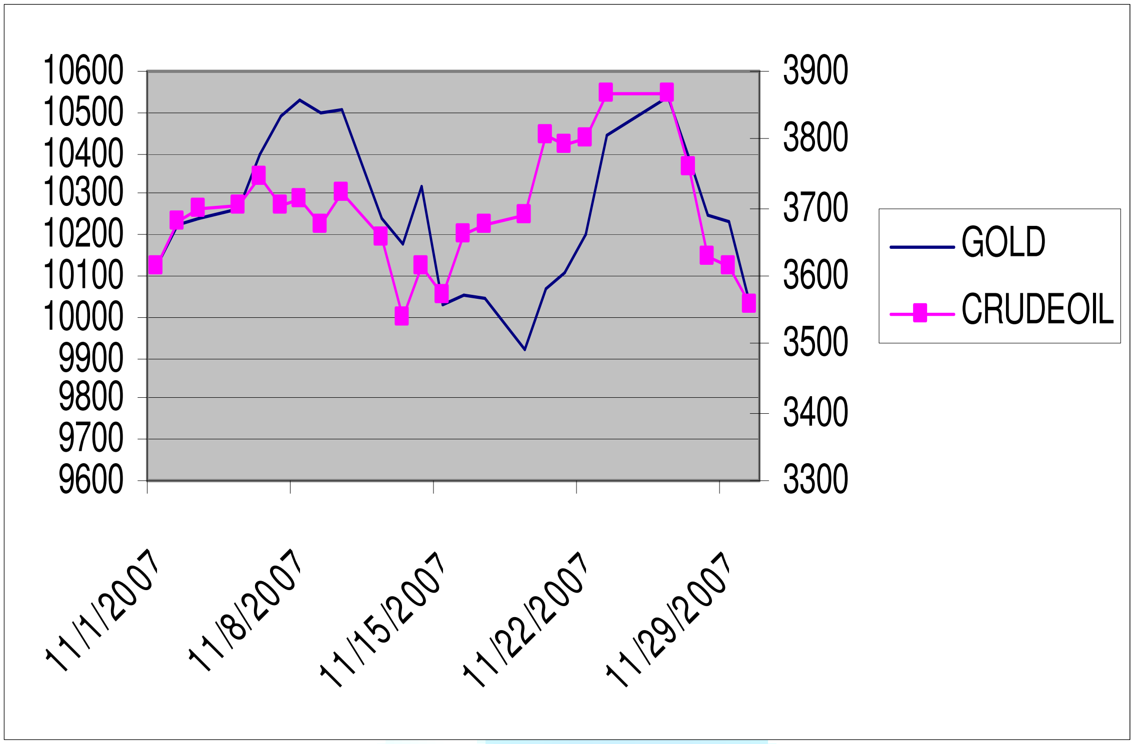
It indicates that the prices of golden crude oil are in uptrend but the volatility was low. The correlation coefficient between the prices of gold and crude oil for the month October 2007 is + 0.94. So it inferred that there is a highly positive relationship between the prices of golden crude oil. The share price raised by the Barrick Gold Corporation and huge import of crude oil by US, Europe and Japan during this period might be the main reasons for the uptrend of the gold and crude oil.

November 2007

The prices of gold and crude oil for November 2007 are plotted in a graph and presented in the following

Graph – 23

THE GOLD AND CRUDE OIL PRICES FOR NOVEMBER 2007



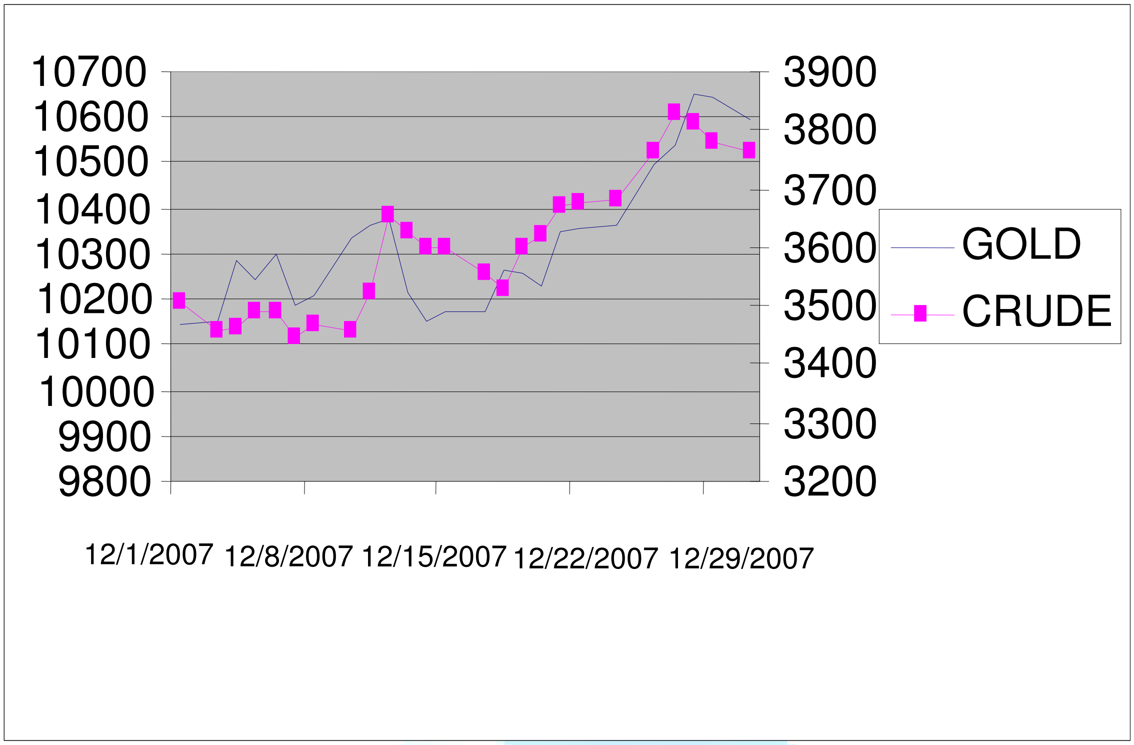
It indicates the downtrend of the prices of gold and crude oil but the volatility is very high. The correlation coefficient between the prices of gold and crude oil for the month November 2007 is + 0.87. So it is inferred that there is a medium level of positive relationship between the prices of gold and crude oil during this period. The Bullishness of stock market and the import of crude oil dropped heavily in US during this period might be the main reasons for the downtrend of the prices of gold and crude oil.

December 2007

The prices of gold and crude oil for December 2007 are plotted in a graph and presented in the following

Graph – 24

The Gold and Crude oil prices for December 2007



It indicates the prices of gold and crude oil are in uptrend but the volatility is high. The correlation coefficient between the prices of gold and crude oil for the month December 2007 is + 0.89. So it is inferred that there is a medium level of positive relationship between the prices of gold and crude oil during this period. The bad Geo-political news and U.S inventories data and the huge investment of developing countries in commodity market especially in Gold and Crude oil during this period might be the main reasons for the uptrend of the prices of gold and crude oil.

FINDINGS

In January 2006, the prices of gold and crude oil were in uptrend but the volatility was high. It could be due to rise in price in gold by 8% by investment bankers and the Oil Petroleum Exporting Countries (OPEC) decreased its oil production during this period.

In February 2006, the prices of gold and crude oil were in down trend but the volatility was higher than the previous month. It could be due to the underperformance of US economy and a slight increase in oil production during this period.

In March 2006, the prices of gold and crude oil were in uptrend but the volatility was lesser than the previous month. It could be due to the continuous decline of US dollar and demand for crude oil increased in USA during this period.

In April 2006, the prices of gold and crude oil were in uptrend but the volatility was lesser than previous month. It could be due to the price target raised by the major gold bankers and a slight decline in US commercial oil companies stocks during this period.

In May 2006, the prices of gold and crude oil were in downtrend but the volatility was higher than the previous month. It could be due to the fluctuation of dollar against the major currencies and globally there was a huge declined in the consumption of crude oil during this period.

In June 2006, the prices of gold and crude oil were in uptrend but the volatility was similar to previous month. It could be due to the continuous Geo-political tension and declined of stock market during this period.

In July 2006, the price of gold and crude oil were in downtrend but the volatility was higher the previous month. It could be due to the fluctuation of US dollar and the major currencies during this period.

In August 2006, the prices of gold and crude oil were in downtrend but the volatility was lesser than the previous month. It could be due to the exploration activities of gold bankers such as acquisition and the lower interest rate of Federal Reserve Bank during this period.

In September 2006, the price of gold and crude oil were in downtrend but the volatility was similar to the previous month. It could be due to the lowered the outlook of the gold prices by Barrick Gold Corporation and its two subsidiaries and lower oil demand in US during this period.

In October 2006, the prices of gold were in uptrend and the prices of crude oil were in downtrend but the volatility was higher than the previous month. It could be due to the recovery of major gold mines from weaker position and the huge supply of crude oil during this period.

In November 2006, the prices of gold and crude oil were in uptrend but the volatility was similar to the previous month. It could be due to the debt rate of gold raised by the agencies and the fluctuation of dollar during this period.

In December 2006, the prices of gold and crude oil were in downtrend but the volatility was lesser than the previous month. It could be due to the hedging ratio cut by the CITI group and the huge investment in stock market during this period.

In January 2007, the prices of gold and crude oil were in uptrend but the volatility was lesser than the previous month. The gold had heavy dip till 24th January and recovered. It could be due to the optimistic assumption of metal prices and the huge oil demand in North America during this period.

In February 2007, the price movements of gold and crude oil were in uptrend but the volatility was higher than the previous month. It could be due to the strong metal price and the continuous decline of US commercial Oil Company stocks during this period.

In March 2007, the prices of gold were in uptrend and the prices of the crude oil in downtrend but the volatility was similar to the previous month. It could be due to the optimistic assumption of stock market and stable production of crude oil during this period.

In April 2007, the prices of gold and crude oil were in down trend but the volatility was lesser than the previous month. It could be due to the uptrend of US commercial oil companies stocks and the decreased debt rate of gold by the agencies during this period.

In May 2007, the prices of gold and crude oil were in downtrend but the volatility was higher than the previous month. It could be due to the Geo-political development and huge supply of crude oil during this period.

In June 2007, the prices of gold were in down trend and the prices of crude oil were in uptrend but the volatility was similar to the previous month. It could be due to the strong geo political development and huge import of crude oil by US during this period.

In July 2007, the prices of gold and crude oil were in downtrend but the volatility was lesser than the previous month. It could be due to the bullishness of the stock market and the decline of US crude oil import during this period.

In August 2007, the prices of gold and crude oil were in uptrend but the volatility was higher than the previous month. It could be due to the raise in investment of gold by the institutions and the strong US economy during this period.

In September 2007, the prices of gold and crude oil were in uptrend but the volatility was lesser than the previous month. It could be due to the bullishness of the stock market and economies of European countries and the war between the major currencies during this period.

In October 2007, the prices of gold and crude oil were in uptrend but the volatility was lesser than the previous month. It could be due to the share price raised by the Barrick Gold Corporation and huge import of crude oil by the US, Europe and Japan during this period.

In November 2007, the prices of gold and crude oil were in downtrend but the volatility was higher than the previous month. It could be due to the bullishness of the stock market and the import of crude oil dropped by US during this period.

In December 2007, the prices of gold and crude oil were in uptrend but the volatility was lesser than the previous month. It could be due to the huge investment of commodity market especially in gold and crude oil by the developing countries during this period.

SUGGESTIONS FOR THE INVESTORS

The following are some of the suggestions which may help to make the investment decision in gold and crude.

1. If the inflation is higher, it is better to invest in gold. Because better price for gold is possible.
2. If there is any political problem, it is better to invest in gold. Because the institutions normally invest in gold during this time.
3. If there is any Geo-political tension, it is better to invest in gold. Because the investment of gold is the hedge against any stress.
4. If there is any decline in major currencies or any war between major currencies, it is better to invest in gold. Because there is an inverse relationship between the gold and major currencies.
5. If there is any unexpected event happened like earthquake or tsunami, it is better to invest in gold. Because the gold investment agencies may raise the interest rate of gold.
6. If the oil consumption of US is increased, it is the favorable situation for crude oil. Because US is consuming 2Lakh BBL of crude oil per day and the demand of the crude oil is expected to be increased.
7. If the production of crude is decreased by the OPEC it is better to buy crude oil. Because the crude oil prices may shoot up.

The decision of purchase and sale of gold or crude oil should consider other intervening variables for better investment decision because it is very difficult to predict or asses the causes of the impact. Sometimes certain controllable variables will have a sudden impact but certain uncontrollable variables will not reflect on the behavior of the market. So the behavior of the market should be analyzed in all the angles to take a wise investment decision gold and crude.

CONCLUSION

In commodity market most of the time the price moments of gold and crude oil are in the same direction. Therefore, it is better to buy and sell the gold and crude oil simultaneously. So the loss can be minimized in the critical situation. Sometime the prices of gold and crude oil will be in inverse direction. The prices of gold may be in uptrend and crude oil may be in downtrend and vice versa. At that time it is better to invest in the commodity which is in decline trend. It is assumed that the commodity price which is in decline trend will automatically shoot up soon.

REFERENCES

- www.mcxindia.com
- www.ncdex.com
- www.nymex.com
- www.bulliondesk.com
- www.kitco.com
- www.wtrg.com
- Company Broachers - ITI financial services limited

REQUEST FOR FEEDBACK

Esteemed & Most Respected Reader,

At the very outset, International Journal of Research in Commerce and Management (IJRCM) appreciates your efforts in showing interest in our present issue under your kind perusal.

I would like to take this opportunity to request to your good self to supply your critical comments & suggestions about the material published in this issue as well as on the journal as a whole, on our E-mails i.e. **info@ijrcm.org.in** or **infoijrcm@gmail.com** for further improvements in the interest of research.

If your good-self have any queries please feel free to contact us on our E-mail **enquiryijrcm@gmail.com**.

Hoping an appropriate consideration.

With sincere regards

Thanking you profoundly

Academically yours

Sd/-

Editor