K. J. SOMAIYA INSTITUTE OF MANAGEMENT STUDIES AND RESEARCH
PGDM (FS) – V 2017 – 19 BATCH
Subject : Commodity Markets

Date: 09 Jan 2019 **Marks : 50** **Time : 3 Hours**

All questions are compulsory

Instructions

1) Crude is traded on the MCX. The prices are derived from NYMEX. The price on MCX is customs inclusive? a) Yes b) No --**1Mark**

2) Gold comex price are 1290$/Troy ounce, with USDINR rate@70. The MCX price is trading at 33000. What is the parity in gold prices? Customs rate at 5%. Is it beneficial to import or export gold?—**5 Marks**

3) Can warehouse inventory be used as a tool of credit
   a) Yes b) No---1 **Mark**

4) What is a Golden Cross in technical analysis?---**1 Mark**
   a) 20 DMA crosses above 100DMA
   b) 50 DMA crosses below 200DMA
   c) 50 DMA crosses above 200DMA
   d) 20 DMA crosses below 200DMA

5) Represent a candle stick bar for a positive day and a negative day—clearly indicating the open/high/low and close on the bar------**2 Marks**

6) Which of these is not a traded commodity?
   a) Live Cattle b) Yellow Peas c) Chana d) Bajra—**1 Mark**

7) Write a short note Margining methods ---**5 marks**

8) What is the gross and net dollar exposure for the following trade: Long INR contract on DGCX 250 lots, USDINR @63.5, Long 8Mn$ USDINR pair on the NDF markets---**5 Marks**

9) In Technical analysis, why does a resistance price of a commodity become a support price when prices breach the resistance levels? **2 Marks**

10) What are some plausible ways in which a business can hedge its commodity price risk if the said commodity is not traded on the exchange, example imported agri commodities in India

2 marks

11) DALIAN Commodity Exchange is located in which country **1 Mark**
    a. Mexico b. China c. Malaysia d. Indonesia

12) Portfolio size for gold is 10Lacs & for silver is 2.5Lacs
    Compute Gold VAR, Silver VAR & portfolio VAR all in terms of value and not percentage change
    5- Marks

Portfolio size	1000000	250000
Day	Gold	Silver
1	25000	37000
2	26000	36000
3	24500	34000
4	26000	35000
5	29000	32000
6	27000	31000
7	26500	30000
8	26000	28000
9	23000	27000
10	22900	26000

13) A trader initiates a risk free arb in currency with usdinr futures long and 10 DGCX INRUSD future contracts. Traded price of usdinr futures is 66. The DGCX INRUSD futures rate is 10 paise higher equivalent.

1. To initiate the arb, what should be the direction in which DGCX is traded? **1 mark**
2. What is the price of the contract trade in DGCX when the trade is initiated? **2 marks**
3. How many lots of USDINR needs to be traded to hedge the $ exposure of DGCX? One lot is 1000$ equivalent **2 marks**

At expiry the rates of USDINR & INRUSD both converge at RBI reference rate of 68.

4. What is the number of USDINR lots that need to be unwound at expiry to hedge $ exposure of DGCX. One lot is 1000$ equivalent **2 marks**
5. What is the $ profit and Rs profit made in this trade? **6 marks**
6. Is the $ profit hedged? Why? **2 marks**

14) Nickel Contracts on the MCX are settled on expiry at reference price of which exchange **1 Mark**
    a. COMEX b. NYMEX c. SGX d. LME

15) If spot price for a commodity is Rs100, risk free interest rate is 6%, storage cost are 1% and convenience yield is 1%(all figures per annum), then 1 year forward price will be
    a) 105.8 b) 106.2 c) 107.5 d) 99 **2 Marks**

17) How many lots of GoldM contract on MCX is required to offset a 1 Gold contract position

1 Mark