

K.J. SOMAIYA INSTITUTE OF MANAGEMENT STUDIES & RESEARCH

PGDM (FS) 2016 – 18 BATCH – V TRIM

COMMODITY MARKETS

Date : 04/01/2018

Marks : 50

Time : 3 Hours

**Instructions**

1. Prices for Base metals are quoted in which currency on the London Metal Exchange (LME)
  - a) Euros
  - b) Pounds
  - c) US Dollars1 Mark
  
2. After a fire breaks out in his warehouse, the owner files for insurance claim for goods worth 30Cr. The insurance firm reimburses him only 25Cr, which was the current value of goods. The owner argues saying his cost of purchase was 30Cr. Who is right and why?  
1 Mark
  
3. A house wife wants to lock in the value of her family silverware at current prevalent rates as she believes current prices are optimum. She however does not want to sell her valuables. Her hedge strategy will be
  - a) Long futures b) Short futures1 Mark
  
4. Tree diagram for classifying commodities 2 Marks
  
5. What are Bearish and Bullish Engulfing Candle stick patterns. What do they signify? 2 Marks
  
6. A trader has a long USDINR Call options position at 65 strike. The current market price of the underlying is 65.5. He spots an arbitrage opportunity on the DGCX exchange for same strike on the INRUSD contract. What trade should he execute to lock in the profit. 3 Marks
  
7. What are forward curves? Elaborate on short comings of a forward curve? 3 Marks
  
8. Difference between OTC and Futures contracts 2 Marks
  
9. How many lots of GoldM contract on MCX is required to offset a 1 Gold contract position  
2 Marks
  
10. In Technical analysis, why does a resistance price of a commodity become a support price when prices breach the resistance levels? 3 Marks

11. List down a few plausible reasons why the INRUSD contract on the DGCX is popular compared to the USDINR contract on the NSE 2 Marks
12. Gold Comex price are 1330\$/Troy ounce, with USDINR rate@64.25. The MCX price is trading at 29625. What is the parity in gold prices? Customs rate at 10%. What quantity of Gold should be sold on the MCX if 100 troy Ounce is purchased on Comex? How much quantity of gold should be sold on MCX if a delta neutral position needs to be created for the same trade? 5 Marks
13. If a futures exchange is not available for certain Agri Commodities how to businesses ensure their positions are covered against price risk? 3 Marks
14. A trader wants to initiate a spread trade between Lead & Zinc contracts on the MCX. CMP of Lead is 110/MT & Zinc is 115/MT. He anticipates the spreads to narrow. Lot sizes for both commodities are 5000MTs.  
How will the trader initiate the trade for?
1. Value hedge
  2. Quantity hedge 5 Marks
15. Note on
- a. Advantages of a warehouse OR
  - b. Margining Methods 5 Marks
16. What is the gross and net dollar exposure for the following trade: Long INR contract on DGCX 250 lots (lot size on DGCX is 20Lacs Rs), USDINR @63.5, Long 8Mn\$ USDINR pair on the NDF markets. 5 Marks
17. Outline Hedging requirements for Purchase of Metal on Un-Fixed Basis, Hedge on International Markets and Sales in International Market 5 Marks