

# A Study on Commodity Market in India with Special Reference to Gold

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## ABSTRACT

In general, a market may be treated as a place where the interchange of goods and services occurs. The business or commercial activity is being carried out with of view to earn some benefits. There are numerous persons dealt in this process of exchange like purchaser, seller, middlemen's, agent, wholesalers, retailers etc. A Commodity market is a venue that merchandise in the process of buying and selling of infinite commodities dealt with the market. The commodities are sorted into two, hard and soft commodities. From the abundant commodities, the paper focuses on gold commodity exclusively. The inevitable role of gold and its price fluctuations are discussed in this paper. The gold plays a significant role in both our Indian culture and economy, thus the study aims to gain adequate knowledge on the price movements in gold with its determining factors. In this study, the primary data collection methods are being eliminated and the secondary data collection techniques and methods are implied. The study period involves the price movements of gold commodity from January 2023 to December 2023. Thus the investments made in gold with abundant knowledge and definite technical skills may yield the investors to maximize their profits and return on investments.

**Keywords:** Commodity Market, Commodity, Stock Market, Gold, India.

## INTRODUCTION OF THE STUDY

In general, a market may be treated as a place where the interchange of goods and services occurs. The business or commercial activity is being carried out with of view to earn some benefits. There are numerous persons dealt in this process of exchange like purchaser, seller, middlemen's, agent, wholesalers, retailers etc. A Commodity market is a venue that merchandise in the process of buying and selling of infinite commodities dealt with the market. The commodity market eventually contributes to the economic enrichment and progress of the nation. There are a wide variety of commodities accessible by the investors in the commodities market. The investors may fund their investments both on the perishable as well as non-perishable products that in turn reduces their hedge against the rate of inflation prevailing in the economy. The commodities are sorted into two, hard and soft commodities. From the abundant commodities, the paper focuses on gold commodity exclusively. Right from the Ancient days till now gold is an inseparable component in our society and culture. The inevitable role of gold and its price fluctuations are discussed in this paper.

## NEED FOR THE STUDY

In India, compared to stock market the concept of commodity market is unfamiliar among the people.

Thus the study tries to briefly understand the commodity market operations along with the various category of commodities traded. The gold plays a significant role in both our Indian culture and economy, thus the study aims to gain adequate knowledge on the price movements in gold with its determining factors.

### **OBJECTIVES OF THE STUDY**

The primary objectives of the study includes the following,

- To study about the concept of commodity market in India.
- To examine the price movements in Indian commodity market with special reference to Gold commodity

### **RESEARCH METHODOLOGY**

The term Research refers to the attentive inspection of the study related to a specific research problem or a particular concern with the application of various research tools, procedures and methodologies. The main aim of research is to find answers to the research questions which is undergone. The research study enables the researcher to gain the knowledge required to tackle the research problems. In this study, the primary data collection methods are being eliminated and the secondary data collection techniques and methods are implied.

### **PERIOD OF STUDY**

The study period involves the price movements of gold commodity from January 2023 to December 2023.

### **TOOLS USED**

There are numerous technical analysis used in the commodity market amongst which the Simple Moving Average (SMA) method is used. The Simple Moving Average (SMA) is considered to be one of the simplest and easiest tool in the technical analysis process. It determines the trends of the stock by analyzing the direction in which the prices move whether uptrend or downtrend. It involves the measure of past prices through the average during a specified period of time. In general, SMA is like Arithmetic Mean and is calculated by adding up the data i.e., either open, low, high or close most preferably closing price and dividing it by the total number of days. The SMA formula is  $A_1 + A_2 + A_3 \dots + A_n$  divided by  $n$ , where  $A$  is the average in period  $n$  and  $n$  denoted the number of time periods.

### **LIMITATIONS OF THE STUDY**

The study is completely based only on secondary data collected from various books, journals and study related websites. Amongst various commodities available, the study focuses only on gold commodity. The study period is limited to an year based on the given data and past price movements of gold.

### **OVERVIEW OF COMMODITY MARKET IN INDIA**

#### **COMMODITY MARKET – MEANING**

A commodity market is a spot where the investors meet to trade various commodities available in a commodities market. It generally deals in the primary economic sector compared to manufactured goods. Commodities market includes physical trading along with derivatives trading with the help of forwards,

options, futures and spot prices. The commodity market acts as the essential element of the global and national economy contributing to its economic progress and development.

Commodities are categorized into Hard and Soft commodities. The hard commodities are directly extracted or being mined from the earth like ores, metals. Petroleum etc. The soft commodities are generally cultivated or grown like cotton, wheat, sugar, coffee etc.

A commodity market operations is also similar to any other market. Any individual can buy or sell various commodities at present or future period in virtual or physical space. Totally, there are six commodity exchanges operating in India.

### **DISTINCTION BETWEEN STOCK MARKET AND COMMODITY MARKET**

The Stock market is referred to a financial market whereby the shares are being bought and sold. The stock depicts the ownership of an individual in a company for the portion of shares bought by him. On the other hand, Commodity market deals with the purchasing and selling of numerous commodities available in the market. The value of commodities may vary based on various elements like supply, demand, geopolitics, economic crisis, seasonality and even more. Though there are various similarities among both the markets there lies numerous differences also which are as follows,

- **Investment Purpose:** in stock market, the shareholder may invest in shares and may receive dividends and capital gains. The commodity market investments are made with a view to hedge against diversified portfolios and price fluctuations.
- **Regulatory Bodies:** the stock market is regulated by The Security & Exchanges Board of India (SEBI) and the commodity market by Forward Markets Commission (FMC).
- **Product Type:** The fractional ownership of a company constitutes to the stock. The commodities the real physical products like agricultural goods, energy, gold etc.,
- **Margin Requirement:** The commodity markets provide a higher margin rather than the stock markets.
- **Price Factors:** In stock market, the equity prices are determined by numerous elements like performance of a company, economic situations and government policies. The commodity prices are determined by the demand and supply, inflation, economic crisis, seasonality etc.
- **Dividend:** The Company's profit are distributed in the form of dividends to its company's shareholders. In the absence of ownership of the underlying asset, there is no option of dividends in the case of the commodity trading.

### **GOLD IN COMMODITY MARKET**

Generally, gold is one amongst the precious metals acquired for its liquidity, beauty, investment portfolio and industrial properties. In recent times, the demand for gold is based on the four main components like jewelry, investment, technology and central bank reserves. In commodity market, the gold is categorized under the bullion carder and also the popular bullion contracts traded on MCX. The Gold contract may be sub-divided into Big Gold, Gold Mini, Gold Guinea and Gold Petal. Globally traders are attracted by the perceived stability and historical significance of the gold commodity. It can be traded by numerous financial avenues like ETF (Exchange Traded Funds), derivatives, CFD (Contracts for Difference), futures contracts and even through physical purchases. The market's liquidity is determined by the diversified participants varying from investors to central banks. Through these instruments, the traders may long (buy) or short (sell) on gold depending on their markets outlook. Investments in gold commodity ensures the

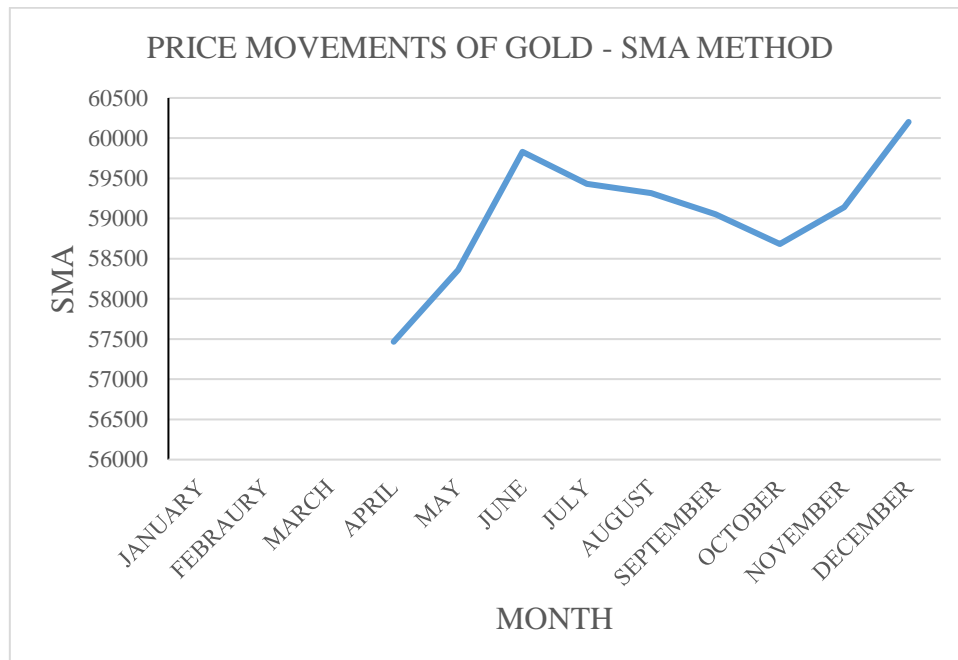
investors with infinite benefits like enhancing their portfolios and protection against economic uncertainties. Moreover, gold acts as an effective hedge against inflation.

**DATA ANALYSIS AND INTERPRETATION**  
**GOLD PRICE MOVEMENTS FROM JAN 2023 – DEC 2023**

MONTH	OPEN	HIGH	LOW	CLOSE	SMA
JANUARY	55,052	57,270	55,040	57,242	
FEBRAURY	57,150	58,826	55,132	55,756	
MARCH	55,760	60,455	54,771	59,402	
APRIL	59,200	61,399	59,040	59,919	57466.67
MAY	59,867	61,845	59,225	60,163	58359.00
JUNE	60,057	60,350	57,651	58,211	59828.00
JULY	58,154	59,984	57,971	59,568	59431.00
AUGUST	59,426	59,855	58,275	59,374	59314.00
SEPTEMBER	59,296	59,665	57,026	57,105	59051.00
OCTOBER	56,209	61,539	56,075	60,940	58682.33
NOVEMBER	60,820	62,675	59,490	62,559	59139.67
DECEMBER	62,512	64,460	61,001	63,203	60201.33

(Source:www.investing.com)

**TABULAR REPRESENTATION IN SMA METHOD**



**INTERPRETATION**

The SMA of April is computed on the average of January, February and March. It increases from the month of April to June, then faces a downfall and gradually increases.

**CONCLUSION**

The study tries to figure out the inevitable role of commodity market in the economic contribution and pr-

ogress of the nation. Though there are various commodities, the gold places a significant role based on its various unique features. The price fluctuations in gold is relied upon enormous factors and thus it becomes unpredictable. The numerous technical analysis tools involved in forecasting the movements of price makes it easier and simpler for the investors. Thus the investments made in gold with abundant knowledge and definite technical skills may yield the investors to maximize their profits and return on investments.

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