Asian Age, 16 February 2008

Commodity trading may beat equities in volume

By OUR SPECIAL CORRESPONDENT

Mumbai, Feb. 15: MCX, the multi-commodity exchange, will soon catch up with the equity markets in turnover. The present turnover of MCX is around Rs 22,000 crore.

"Our aim is to exceed the NSE derivatives," said Mr R. Venkatchari, chairman of the MCX. (Currently, the turnover in the NSE derivatives is around Rs 40,000-50,000 crore).

The MCX has recently introduced carbon credits and is waiting for the amendment of the Forward Control Regulations Act, 1952, which is pending before the government to come through.

The amendment will end the restricting definition of the word "goods" to be just physical commodities. Once this is removed, there will be a whole lot of commodities like the weather derivatives and index futures that can be traded, Mr Chari said.

The MCX is a favourite with speculators and a host of equity brokers are doing thriving trades on the commodities exchange.

Mr Chari was speaking to this newspaper on the sidelines of a function held on Friday where the NYSE Euronext, the world's leading and most diverse financial market group, signed a binding termsheet to acquire a 5 per cent equity position in the MCX. This gives an enterprise value of $1.1 billion to the MCX.

Five per cent of Rs 4,400 crore is the value of the deal, said Mr Jignesh Shah, managing director and chief executive of the MCX.

The additional margins imposed by the forward markets commission on wheat, rice, urad dal and tur dal have now been reduced and this will increase the turnover in agricultural commodities, he said.

All this will push up volumes. Much will depend on factors like eco-system and elections, but there will be a steady climb in volumes, he said.

On Danteras, the multi-commodity exchange saw trading touch Rs 19,577 crore and after that it went up to Rs 22,000 crore.

Another good development that the MCX is awaiting is the report on the Abhijeet Sen Committee which was mandated to examine if there was any correlation between futures trading in agricultural commodities and price inflation in these commodities as alleged by some people.