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MCX posts record crude oil volume

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The Multi Commodity Exchange (MCX), the country's leading commodity bourse, posted a record volume of 23.49 million barrels in crude oil futures on January 2. The previous record was 19.08 million barrels, achieved on December 15, 2008.

Significantly, open interest hit the Rs 500-crore mark on the same day, which indicates that a large section of the country's petrochemical players are using the MCX platform to hedge their risks, said an spokesperson of the exchange.

Volatility in international prices also has its impact on the prices of domestic fuels. This becomes more evident for petroleum product consumers as the volatility in oil prices hits the downstream sector. The MCX crude oil futures contracts satisfy the need for hedging against the volatility in the prices of fuels such as furnace oil and aviation turbine fuel (ATF), as it has more than 95 per cent correlation with the above mentioned products.

A rise in liquidity in the MCX crude oil futures will also enable the airline companies to stabilise their fuel costs through hedging in crude oil futures.

In the MCX liquid crude oil futures contract, the domestic airline companies have the option to cover their entire fuel price risks without having an exposure to foreign exchange risks, an analyst said.