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Traders line up at MCX, NCDEX to buy precious metals, sugar

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TRADERS are increasingly buying commodities like gold, silver and sugar from the top two national bourses, MCX and NCDEX, giving a fillip to the confidence of the nascent futures market.

Traders, who hedge their price risk in the futures contracts of bullion and agri-commodities, are slowly taking delivery from the exchanges.

With gold being one of the largely traded commodities on the MCX after silver, traders sought delivery of 529 kg of the January gold mini contract, which is a record on the exchange. The delivery from the exchange increased from 49.6 kg in December 2008 to 529 kg in January, data from MCX said. According to experts, high volatility in gold prices led traders to opt for delivery.

"Commodities are delivered only in compulsory-delivery contracts. Otherwise, the world over, deliveries constitute only 1-2% of the total turnover. A similar situation prevails in India," Delhi-based SMC global managing director DK Aggarwal said. He added that gold, silver, mentha oil are largely delivered commodities on MCX, while sugar, turmeric, chana and steel are traded mainly on the NCDEX.

Many analysts believe that commodity exchanges can certainly play a role in ensuring delivery in the absence of a national-level spot market.

SECURE PLATFORM

- **Traders seek** delivery of 529 kg of the January gold mini contract
- **High volatility** in gold prices lead traders to opt for futures contract
- **Traders buy** around 1.4 lakh kg of silver, compared to over 70 kg gold, including all variants, in December on MCX
- **Analysts feel** commodity exchanges can play a role in ensuring delivery in the absence of a national-level spot market

"It would be of great help to the user industry if more delivery takes place in the futures platform," said Vijaya Sardana, MD, ARPL Agri Business Services. Of eight main commodities delivered by NCDEX, sugar topped the list. Over 21,500 tonnes of sugar was delivered to traders, followed by turmeric (530 tonnes), maize and steel long (400 tonnes each).

On the MCX, there was an increased demand for deliveries for other variants of gold contracts in December 2008. For example, about 26 kg of gold guinea was delivered by the MCX.

In bullion, traders sought maximum delivery of silver, compared to gold. Traders bought about 1.4 lakh kg of silver, compared to over 70 kg gold including all variants in December on MCX.

Sardana said it would not be useful if futures markets are not made delivery-oriented even though they are meant for price discovery as the spot market is still not perfect.

He also said traders would be able to receive both quality and right price for the commodity. "But the main challenge is to provide cost effective infrastructure," he added.