Hindu Business Line, 5 January 2009

MCX' crude oil futures clock record volume

Press Trust of India
Mumbai, Jan 4

Crude oil futures, largely traded on the country's leading commodity exchange Multi Commodity Exchange, witnessed a record volume of over 23 million barrels on Friday last week, mainly due to speculative buying at lower levels.

The exchange clocked a maximum volume of 23.49 million barrels in crude oil futures on January 2, beating the earlier record of 19.08 million barrels achieved on December 15, 2008, MCX said in a statement.

SPECULATIVE BUYING

"A speculative buying at lower levels between Rs 2,000 and Rs 2,200 a barrel increased volumes on MCX on January 2," the Karvy Comtrade Research Head, Mr Harish G., said.

Most traders participated in the trade when global crude oil prices were hovering between $37 and $40 dollar a barrel and these were good levels for aviation and petrochemical companies for hedging, he said.

AVIATION FUEL

As aviation turbine fuel is the by-product of crude oil and has 95 per cent co-relation, airlines have started hedging their energy risk.

On MCX's crude oil futures, Indian airlines have the option to cover their entire fuel risk at the domestic level without having an exposure to the foreign exchange risk.

Currently, companies such as Tata Petrodine, Spicejet and Indigo were hedging their risk on MCX platform.

The open interest in crude oil was very significant with a total value of Rs 500 crore indicating that a large section of petrochemical industry was hedging their energy risk on MCX, the exchange spokesperson said.

Open interest is the total number of outstanding contracts that are held by market participants at the end of the day.