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MCX to re-launch guarseed contracts

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The Multi Commodity Exchange of India (MCX), India's largest commodities futures trading platform, will relaunch guarseed contracts on Monday, for delivery in September, October and November, after modifications in contract specification. If successful, this would be the third launch of the cattlefeed on MCX platform.

The commodity was made available for trading on this platform first in 2005 which continued till April 16, 2008, attracting good participation with daily average turnover ranging between Rs 25-30 crore. But, in comparison with the MCX's daily average turnover of over Rs 15,000 crore, the commodity's performance was considered mediocre following which the contracts were absent since April 16, 2008.

The contracts eclipsed again only for four days in March 2009 and volunteered a daily turnover of Rs 2 crore but vanished before catching the eye of traders. But, this time the exchange and traders are enthusiastic as the commodity on spot platform, the National Spot Exchange (NSEL), has performed well.

The MCX has designated Bikaner as the delivery centre in the modified contract instead of Jodhpur earlier. Additional delivery centres have also been designated with 5 per cent discount at Ganganagar, 20 per cent discount at Deesa, 20 per cent premium at Jodhpur and at par at Nokha.

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MCX has got an encouraging response this time from traders in Ganganagar, Nokha and Bikaner where spot trading of NSEL has won trades and market participants' confidence in a big way. Trading lot has been fixed at 10 tonnes with 5 per cent of initial margin. Delivery margin and tick size has been fixed at 25 per cent and Re 1 respectively.

According to traders' this would provide an attractive inter-exchange arbitrage opportunity between the two commodity exchanges, NSEL and MCX, or MCX and NCDEX.

Traders believe that the price would move upwards this year due to crop shortage on delayed monsoon.

This year, guarseed crop is estimated to decline by 50 per cent.