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Now, invest in silver in small doses through mini futures

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GROWING investment interest in silver has prompted the nation's largest commodities exchange Multi Commodity Exchange of India (MCX) to launch two smaller denominations future delivery contracts. The top metals and bullions exchange said that the new contracts are aimed at garnering more retail participation in the precious metal.

"We always look to take the lead in developing different contract denominations to accommodate needs of varied market participants. Silver micro is one such innovation that is targeted as both an investment product and a hedge tool for smaller participants in the market," P.K.Singhal, deputy managing director, MCX said.

The exchange already has higher denomination silver products namely Silver and Silver M in which four yearly delivery contracts are traded on MCX commodity exchange. MCX is one of the major players globally in terms of its volumes traded in the white metal in all its contracts combined.

"MCX silver mini contracts will provide investment opportunity in one kg silver as compared to our earlier contracts that allowed trade margins in 5 kg and 30 kg denominations," a MCX spokesperson said.

Investors are typically required to commit five per cent of the contract value to start taking positions in contracts. A lower denomination contract would translate to investors committing lesser value to enter trade and thus aimed at more retail and small trade participation.

In keeping with all other silver contracts being traded on the exchange, delivery of MCX Silver mini futures contracts are in 30 kg lot sizes.

On its first day, the April 2011 delivery Silver micro contract volumes stood at 40.48 kg worth Rs 196.40 crore in trade value. While the April contract ended trade at Rs 49,123 per kg, up 2.34 per cent, the far-month June delivery contract went up by 1.7 per cent to Rs 49,383 per kg.

MCX is likely to introduce two more future delivery contracts in silver mini later this year. At present, silver bullions are traded in most of the seven commodity exchanges in the country but in denominations of five kg and above.

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The silver lining

- The new contracts are aimed at drawing more retail participation in the white metal. They will allow you to invest in just 1 kg of the white metal
- The MCX already has higher denomination silver products, namely Silver and Silver M, in which four-yearly delivery contracts are traded
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