MCX-Reuters to launch commodity indices

RAJESH BHAYANI
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The Multi Commodity Exchange of India (MCX) on Tuesday announced that it had joined hands with Thomson Reuters to launch co-branded commodity indices in India. The move follows signals from the Securities and Exchange Board of India (Sebi), the regulator of commodity derivatives, to open up commodity markets. Sebi has allowed trading in commodity options, though the opening up has come with a piece of caution. For allowing trading in indices, the regulator was deliberating the issue.

Unlike equity indices derivatives, commodity indices are not directly useful for hedging in general but they are used more for assets allocations.

According to sources, once the MCX is ready with a first set of indices, the existing indices for metals, agri, etc are likely to be phased out because the new indices will be prepared using more scientific methods.

A source said: "In the first phase, the MCX proposes to have five-six indices such as a couple of product-based indices, a couple of single-commodity indices, and a composite index. We are trying to be ready for dissemination by September 2017."

Once index trading is permitted, Sebi is expected to look at allowing commodity-specific exchange-traded funds (ETFs) as in the case of the gold ETF and portfolio management services (PMS) for commodities, which were banned a few years ago when the Forward Markets Commission was regulating commodity derivatives. A commodity broking industry veteran said industry representatives had recently met Sebi officials and proposed to allow PMS in commodities as now the market is under a strong and powerful regulator.

Sebi has also allowed category-3 alternative investment funds, or hedge funds, in commodity derivatives. The regulator has moved to integrate the businesses of commodity brokers and sharebrokers, which means that under a single entity all businesses can come. This will allow the fungibility of capital and clients' margins.

MCX COMMODITY FUTURES INDEXES

- MCX COMDEX
- MCX METAL
- MCX ENERGY
- MCX AGRI

MCX Rainfall Indexes

- Rainfall Index : MUMBAI
- Rainfall Index : INDORE
- Rainfall Index : JAIPUR

NCDEX Agri Index

- Dhaanya

Source: Exchange
Compiled by BS Research Bureau

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