MCX starts trading in gold options

First In India's Commodity Market

TIMES NEWS NETWORK

Mumbai: MCX, the leading commodities bourse in the country, launched on Tuesday India's first commodity options contracts in gold — the most traded precious metal in the domestic market. Finance minister **Arun Jaitley** inaugurated the trading in these contracts in Delhi.



MCX launched European-styled gold options, which are hedger-friendly and will be settled in delivery of physical gold through the futures contracts route of the same metal of 1kg weight, a release from the exchange said.

On the first day, gold options contracts with 1kg gold futures as the underlying asset and expiring on November 28, 2017 and January 29, 2018 were made available for trading.

You can trade in these contracts just like stocks

What are options contracts?

Options contracts are financial instruments that give buyers the right to buy or sell the underlying asset (for example, gold in gold options contracts) at a specified price on a future date. However, there is no obligation on the buyer to buy or sell the underlying asset. An analogy could be a traveller buying a train ticket to some destination after two months. The ticket holder has the right to travel on that date on that particular train, but is not obligated to do the same. If the traveller does not go on the trip, he loses a part or the full price paid for the ticket. Similarly, the options buyer's risk is limited only to the premium paid to buy the option.



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Where can you buy and sell options?

Most options contracts are traded on exchanges recognised by the government and regulators like Sebi and the RBI.

How to buy and sell options contracts?

You can buy and sell these contracts on the exchanges through a broker just like you do with stocks and bonds.

What kinds of options are available?

In India, options on stocks, stock indices and gold are traded on the bourses. Globally, options contracts on several other financial and physical assets could be traded. For instance, options on crude oil, cotton, live cattle and even orange juice and weather could be traded.

What does an options contract specify?

An options contract specifies the price at which the buyer can buy or sell the underlying asset, the duration of the contract (from days to months), settlement mechanism, etc.