

JYOTI NIVAS COLLEGE AUTONOMOUS

Programme: B. Voc (B&F)

Semester: VI

FINANCIAL AND COMMODITIES DERIVATIVES

No. of credits: 4

No. of Hours:60

COURSE OBJECTIVES:

- To provide students with a conceptual framework of Stock Markets, Derivative markets and Commodity Markets, functionalities in these markets and their mode of trading.
- To introduce the various procedures to invest in the commodity & derivative markets
- To familiarize students with the latest innovations in commodity & derivatives trading.
- To make them familiarize with patterns of trading and settlement in commodity trading.

LEARNING OUTCOMES:

- The course will help the student to know the basics of commodity and derivative market.
- The course will help the students to know the current trends in the commodity & derivative market
- It will enable the students to become prudent investors in the market.

UNIT 1: AN OVERVIEW OF CAPITAL AND COMMODITIES MARKETS 10 HRS

Primary market, secondary market (stock market), depositories, private placements of shares / buy back of shares, issue mechanism. Meaning of commodities and commodities market , differences between stock market and commodities market.

UNIT 2: FINANCIAL DERIVATIVES 14 HRS

Introduction, economic benefits of derivatives - types of financial derivatives - features of derivatives market - factors contributing to the growth of derivatives - functions of derivative markets - exchange traded versus OTC derivatives - traders in derivatives markets - derivatives market in India.

UNIT 3: CLEARING AND SETTLEMENT OF FUTURES AND OPTIONS 14 HRS

Clearing members - clearing mechanism - settlement of future contracts - maintenance

margin and initial margin for future contracts - settlement of option contracts - risk management, SPAN, basic difference between commodity, equity and index futures-accounting and taxation of derivative transactions.

UNIT4: COMMODITY MARKET

14 HRS

History, membership, objectives, functions of commodities exchange, organization and role of commodity exchange, governing body, types of transactions to be dealt in commodity market – physical market, Futures market - Differences between physical & futures market,. Introduction to Securities Contract (Regulation) Act,1957.

UNIT 5: TRADING IN COMMODITY MARKETS

08 HRS

Commodity trading vis-à-vis trading in other financial assets, commodity market ecosystem, factors impacting the commodity prices, Patterns of trading & settlement, efficiency of commodity markets – trading volumes of commodities, digital brokerage platforms, Clearing mechanism (concept only).

SKILL DEVELOPMENT ACTIVITIES:

- Prepare algorithm to be used in commodity modelling.
- Prepare the chart showing Governing Body of the Commodities Market.
- Prepare the list of commodities traded on commodity market.
- Enlist the role of NSDL and CSDL.
- Students can visit a financial institution dealing in commodity derivatives and study the products offered by them.
- Students should individually select various futures or options and watch the behaviour of these futures and options on a day to day for 15 days to see how futures and options might help mitigate the risks of investors.

BOOKS FOR REFERENCE:

- Gurusamy, Financial Markets and Institutions, 3rd edition, Tata McGraw-Hill.
- Saunders, Financial Markets and Institutions, 3rd edition, Tata McGraw-Hill.
- K. Venkataramana, Stock & Commodity Markets, SHBP.
- B. Kulkarni – Commodity Markets & Derivatives.
- Khan, Indian Financial Systems, 6th edition, Tata McGraw-Hill
- Bhole, L.M. (2000), Indian Financial Institutions, Markets and Management, McGraw Hill, New York.

Note: Latest edition of text books may be used.