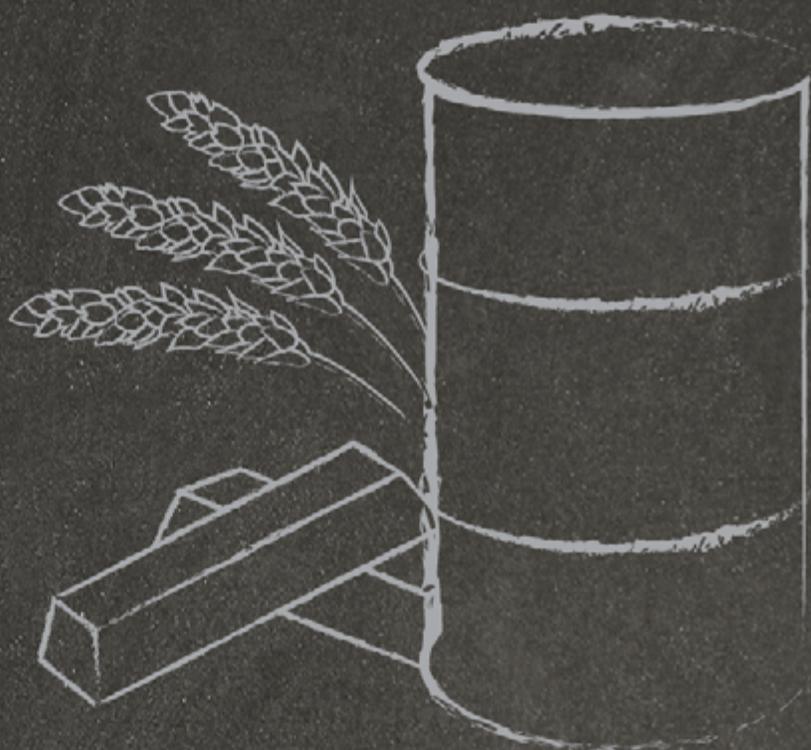


QUICK GUIDE

Trading Commodities

A quick look into the world
of trading commodities



TRADER ON THE STREET

Table of Contents

What is a Commodity?

A commodity is a fundamental physical asset that is often used as a raw material in the manufacture of goods or services. A commodity must be interchangeable with another commodity of the same kind and grade to be traded in the markets. To a trader, gold is gold, regardless of where it was mined or whose firm mined it. Fungible is the name for this property in commodities.

What is the Commodity Market?

A commodity market is a market for buying and selling commodities. Commodities are basic resources or goods that are traded on a commodity exchange.

4 Common Commodities

- Agricultural Products
- Precious Metals
- Oil
- Energy

Types of Commodities

- Soft Commodities like agricultural products and livestock.
- Hard Commodities like gold and silver.
- Raw Commodities like money or global currencies

1. Energy

Energy Commodities such as crude oil, natural gas, unleaded gasoline, propane, ethanol, and coal are among them.

2. Precious Metals

Precious metals such as gold and silver, as well as industrial metals such as copper, aluminum, and palladium, are among Metal Commodities.

3. Energy Certificates

Renewable Energy Certificates, White Certificates, and Carbon Emissions are all included in the Environmental Commodities category.

4. Agricultural Products

Agricultural products such as coffee, corn, wheat, cotton, maize, and livestock were initially exchanged in the middle ages.



Which Commodities are Traded

Commodity markets have changed over time and now offer a wider selection of commodities.

Some of the most traded commodities on the exchange:

- Cotton, jute, tea, and other natural soil products are traded under environmental commodities.
- Synthetic jams, hides, gunny bags, and other manufactured goods are traded under agricultural commodities.
- Mineral Commodities include lead, crude, asbestos, gold, silver, and other mineral products.

How can you Trade Commodities?

A marketable commodity can be bought and sold in the same way as equity/shares can. You buy an item with the expectation that its price will increase in the future. You sell it when the future price reaches the target.

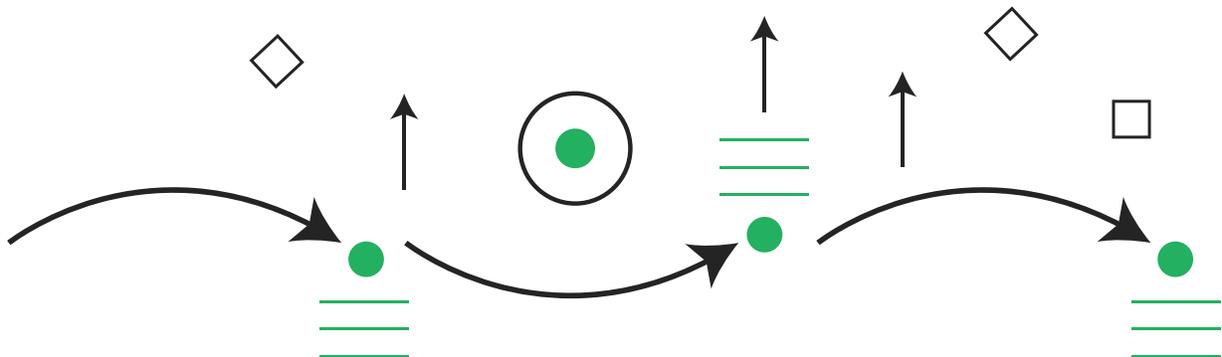
This is how things are done.

On the other hand, sellers of an item sell it when they feel that there is no room for a price increase in the future.

Create a Demat account now!

Commodity Exchange Functions

- To provide a platform to various investors to buy and sell commodities at reasonable prices through fair price discovery.
- Gathering and disseminating commodity news to aid traders in their decision-making.
- Exchanges also assist in the resolution of trade disputes.
- Exchanges are also in charge of classifying the commodities on offer for trade. This enables dealers and other parties to reach an agreement faster.



Advantages & Disadvantages

Here are two sides of the same coin. Commodity trading has its advantages and disadvantages.

Commodity futures are highly leveraged investments, which means you can place a large bet with a relatively small amount. Commodity futures markets are often quite liquid, making entry and exit simple. Commodity futures can yield huge profits if traded with caution and prudence.

Commodity futures trading has the drawback of being volatile, which means the risk is large. Direct investing in the commodity markets carries a significant level of risk, especially for newcomers.

So be careful!

Leverage magnifies profit and loss, allowing you to win big or lose big.

Conclusion

Many people blame commodity market speculators and dealers for raising the cost of food, gasoline, and other commodities. No speculator can influence commodity prices. Even if they somehow manage to do so, the market reacts swiftly to correct any imbalances.

