

**A STUDY ON PERFORMANCE OF COPPER IN MCX DURING 2006 to 2012 AT  
WELL WORTH SHARE & STOCK LTD, MADURAI**

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**Abstract**

*Commodities are raw materials used to create various products. Commodities include agricultural products such as grains, oilseeds, vegetable oils, pulses and also meats and livestock; energy products such as crude oil and gasoline; and metals such as gold, silver, aluminum and mild steel ingots. There are many other commodities like polypropylene, sugar, cotton, cocoa and coffee, etc., that are also traded. A commodity is something for which there is demand, but which is supplied without qualitative differentiation across a given market. Characteristic of commodities is that their prices are determined as a function of their market as a whole. Well-established physical commodities are actively traded on various spot and derivative markets. The commodity market has evolved significantly from the days when farmers hauled cartloads of wheat, rice and other produce to the local market. By buying futures contracts, they can hedge against underlying price changes in the commodity. Commodity exchanges in India are expected to contribute significantly in the strengthening- Indian economy to face the challenges of globalization. The Commodity Exchange makes commodity money available to all as a medium of exchange, store of wealth and unit of account.*

**Keywords:** *Commodities, derivative market, Commodity Exchange, globalization, contracts, trading*

**Commodities contracts:**

- i. Spot contracts
- ii. Forward contracts
- iii. Futures contracts

**Size of the Market**

Exchange traded commodities have seen an upturn in the volume of trading since the start of the decade. This was largely a result of the growing attraction of commodities as an asset class and a proliferation of investment options which has made it easier to access this market.

The global volume of commodities contracts traded on exchanges increased by a fifth in 2010, and a half since 2008, to around 2.5 billion million contracts. During the three years up to the end of 2010, global physical exports of commodities fell by 2%, while the

outstanding value of OTC commodities derivatives declined by two-thirds as investors reduced risk following a five-fold increase in value outstanding in the previous three years. Trading on exchanges in China and India has gained in importance in recent years due to their emergence as significant commodities consumers and producers. China accounted for more than 60% of exchange-traded commodities in 2009, up on its 40% share in the previous year. Under management more than doubled between 2008 and 2010 to nearly \$380bn. Inflows into the sector totaled over \$60bn in 2010, the second highest year on record, down from the record \$72bn allocated to commodities funds in the previous year. The bulk of funds went into precious metals and energy products. The growth in prices of many commodities in 2010 contributed to the increase in the value of commodities funds under management

#### **Global Scenario**

- i. London is the world's biggest clearing house. :
- ii. Mumbai is under India's liberalised gold regime.
- iii. New York is the home of gold futures trading.
- iv. Zurich is a physical turntable.
- i. Istanbul, Dubai, Singapore, and Hong Kong are doorways to important consuming regions.
- v. Tokyo, where TOCOM sets the mood of Japan.

#### **Indian Scenario**

- i. India is the largest market for gold jewellery in the world and a key driver of the global gold demand.
- ii. The domestic drivers of gold demand are largely independent of outside forces. Indian households hold the largest stock of gold in the world. Two thirds of the Indian demand for gold comes from the rural parts of the country.
- iii. In 2011, gold's role as an inflation hedge bolstered its appeal in India.
- iv. The nation witnessed jewellery and investment demand of 933.4 MT.
- v. The nation was by far the largest single investment market in 2011 and accounted for 25% of the total bar and coin demand. India imported a record 969 MT of gold in 2011

#### **Factors Influencing the Market**

- i. Above ground supply of gold from central bank's sale, reclaimed scrap, and official gold loans.
- ii. Hedging interest of producers/miners.

- iii. World macroeconomic factors such as the US Dollar and interest rate, and economic events.
- iv. Commodity-specific events such as the construction of new production facilities or processes, unexpected mine or plant closures, or industry restructuring, all affect metal prices.
- v. In India, gold demand is also determined to a large extent by its price level and volatility.

The Following are the Measurement of Max

#### WEIGHT CONVERSION TABLE

To convert from	TO	Multiply by
Troy ounces	Grams	3U035
Million ounces	Tonnes	31.1035
Grams	Troy ounces	0.0321507
Kilograms	Troy ounces	32.1507
Tonnes	Troy ounces	32,150.70
Kilograms	Tolas	85.755
Kilograms	Taels	26.7172
Kilogram	Bahts	68.41
Troy ounces	Grain	480.00
Troy ounces	Avoirdupois ounces	1.09714
Troy ounces	Penny weights	20.00
Avoirdupois ounces	Troy ounces	0.911458
Short tone	Metric tonne	0.9072

#### OBJECTIVE OF THE STUDY

The following are the objectives of the copper in multi commodity exchange during the year of 2006 to 2012.

- i. To evaluate investment performance of copper in terms of risk and return
- ii. To analyze the movement of copper with metal index it
- iii. To evaluate the performance of copper based on Sharpe index
- iv. To evaluate the performance of copper based on Jensen index
- v. To evaluate the performance of copper based on trey nor index
- vi. To summarize the findings emerging out of the study.

**SCOPE OF THE STUDY**

- i. It helps the investor to make investment decision.
- ii. It helps to analyze the copper in terms of Risk and Return.
- iii. It helps the investor to know the copper movement during 2006 to 2012

**METHODOLOGY DATA COLLECTION****Nature of the data:**

The data used is secondary data.

**Source of the data:**

- i. Information collected from various websites like company website and MCX etc.,
- ii. From various text books, journals, magazines, newspapers, booklets from company.

**RESEARCH DESIGN**

A research design is the descriptive research and procedures for acquiring the information needed to structure or to solve the problem.

**TOOLS USED FOR ANALYSIS**

- i. Return
- ii. Beta
- iii. Alpha
- iv. Standard deviation
- v. Co-variance

**DATA ANALYSIS AND INTERPRETATION****YEAR WISE RETURN OF COPPER DURING 2006 TO 2012**

Year	Return
2006	8.632468032
2007	-1.862840096
2008	-4.226052391
2009	7.91636394
2010	2.989313011
2011	0.311443375
2012	1.494210609
Average	1.697055709

**YEAR WISE BETA OF COPPER DURING 2006 TO 2012**

Year	Standard Deviation
2006	27.12237
2007	5.105753
2008	15.562
2009	8.219722
2010	3.075441
2011	6.00519
2012	5.664052
AVERAGE	10.10779

**YEAR WISE BETA OF COPPER DURING 2006 TO 2012**

YEAR	BETA
2006	-0.112722256
2007	0.200079791
2008	0.335652801
2009	0.139851174
2010	0.532679802
2011	-0.250468191
2012	-0.100966907
Average	0.106300888

**YEAR WISE ALPHA OF COPPER DURING 2006 TO 2012**

YEAR	ALPHA
2006	8.767160747
2007	-1.536502955
2008	-3.055763943
2009	3.37896535
2010	0.460939963
2011	0.357079026
2012	1.777031585
Average	10.14890977

## YEAR WISE CO-VARIANCE OF COPPER DURING 2006 TO 2012

Year	CO-VARIANCE
2006	8.692009
2007	-2.02229
2008	-4.28356
2009	7.837017
2010	2.893808
2011	0.753956
2012	1.749719
Average	1.652257

## FINDINGS

- i. From the above table, it can be find that during 2006 to 2012. The return copper well performed in 2006 and 2009. In 2006, the return value is 8.632468032 and in 2009 the value is 7.91636394. In 2007 and 2008 it shows the negative value. The value is -1.862840096 and -4.226052391.
- ii. Standard deviation is finding for know the volatility of commodity. A large dispersion tells us how much the return on the fund is deviating from the expected normal returns. From the above table, it can be find that during 2006 to 2012. In 2006 it shows the higher deviation its 27.12237 and in 2010 it shows the very lower deviation, its 3.075441.
- iii. Beta is calculated for find the systematic risk of the copper; it can be finding that during 2006 to 2012. If the beta value is  $>1$  it shows the good performance, if the beta value is  $<1$  it should be develop. From the above table it can be find that while 2006 and 2011, 2012 shows the negative beta, its -0.112722256 and -0.250468191, -0.100966907. Other years it shows the positive beta.
- i. iv. Alpha is calculated for find the un-systematic risk; from above table it can be find that during 2006 to 2012. In 2006 and 2012 the un-systematic risk level is high when compared with other years. In 2008 the risk level is very low. Low risk will be a low return. High risk will be a high return. In 2006 the value is 8.767160747 and 2008 - ; 3.055763943.
- iv. From the above table it can be find that during 2006 to 2012, while comparing with all years, in 2006 the copper performance was good. In 2007 and 2008 the copper performance was not good. In 2006 the value is 8.692009 and 2007 and 2008 -2.02229, -4.28356

- v. Treynor ratio is calculated to find the risk on investment. From the above table it can be found that during 2006 to 2012. In 2006 it shows the higher risk and in 2011 it shows the lower risk. The negative value shows the riskless commodity. In 2006 the value is 8.692009 and in 2011 0.753956 and in 2007 and 2008 shows the negative value -2.02229, -4.28356.
- vi. From the above table it can be found that during 2006 to 2012. The Sharpe ratio always indicates the best return while performing in low risk. From the above table it can be found that in 2006 it shows the high risk on return and in 2011 it shows the low risk on investment. The negative value shows the riskless returns.
- vii. If the value is positive, then the portfolio is earning excess returns. In other words, a positive value for Jensen's alpha means a fund manager has "beat the market" with his or her picking skills. From the above table it can be found that during 2006 to 2012. In 2009 only it shows the positive value, the value is 24.1611511

#### SUGGESTIONS

- i. In the analysis of copper in MCX, from the year of 2006 to 2012, maximum in 2006 were performed in good.
- ii. When we earn high return, there should be high risk; at the same time when we earn low return there should be low risk. Depend upon this point this analysis shows the high risk in 2006 at the same time it having high return.
- iii. From the analysis of this project during 2006 to 2012, it can be found that more fluctuation of copper. From 2006 to 2012 the return of the copper was decreased.
- iv. The investors suggest to invest in copper depend upon the demand and supply, because the copper market mostly reflect on the demand and supply.
- v. Copper prices in India are fixed on the basis of the rates that rule on the international spot market, and Rupee and US Dollar exchange rates.
- vi. There is also a national economic growth factor. Societies, as they develop, demand metals in a way that depends on their current economic position.

#### CONCLUSION

This study is conducted at WELLWORTH SHARE & STOCK BROKING LTD. Here the researcher concludes that the copper were performed well in 2006. After that the copper performance was getting low because of the market fluctuation. Now days the commodity market having more fluctuation depend upon the demand and supply, and also the economic factors.

When we invest on copper commodity, it has more risk, when there is more risk there is more return. Investor suggest to invest depend upon the economic factors, demand and supply scenario with knowledge of copper.

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