
**A STUDY ON THE EVOLUTION OF COMMODITY MARKETS:
HISTORICAL PERSPECTIVES AND MODERN DEVELOPMENTS WITH
REFERENCE TO KARVY STOCK BROKING LIMITED**

¹ S. Swapna, ² Kokkula Sindhuja

¹ Associate Professor, ² MBA Student

Department of MBA

Sree Chaitanya College of Engineering, Karimnagar

ABSTRACT

Commodity markets have played a vital role in the development of economies throughout history by facilitating the exchange of essential goods such as agricultural products, metals, and energy resources. From ancient barter systems and local trading centers to organized exchanges and electronic trading platforms, commodity markets have undergone significant transformations over time. The evolution of these markets has been influenced by economic growth, technological advancements, globalization, regulatory reforms, and changing patterns of production and consumption.

This study examines the historical development of commodity markets, tracing their origins from traditional trading practices to modern commodity exchanges. It explores the emergence of futures and derivatives contracts, which have enabled market participants to manage price risks and improve market efficiency. The study also highlights the role of technological innovations, including electronic trading systems, algorithmic trading, and real-time market information, in enhancing transparency and accessibility.

Furthermore, the research analyzes the impact of globalization on commodity markets, leading to increased market integration, higher trading volumes, and greater participation from institutional investors. The study discusses the challenges faced by modern commodity markets, including price volatility, regulatory concerns, environmental issues, and geopolitical

influences. Special attention is given to the development of commodity markets in emerging economies, particularly India, and the role of regulatory bodies in ensuring fair and efficient market operations.

**I. INTRODUCTION
COMMODITIES MARKET
INTRODUCTION:**

Commodities Futures' trading...! in India have a long history. The first commodity futures market appeared in 1875. But the new standardized form of trading in the Indian capital market is an attractive package for all the people who earn money through speculation by trading into FUTURES. It is a well-known fact and should be remembered that the trading in commodities through futures' exchanges is merely, "Old wine in a new bottle".

The trading in commodities was started with the first transaction that took place between two individuals. We can relate this to the ancient method of trading i.e., BARTER SYSTEM. This method faced the initial hiccups due to the problems like: store of value, medium of exchange, deferred payment, measure of wealth etc.. This led to the invention of MONEY. As the market started to expand, the problem of scarcity piled up.

The farmers/traders then felt the need to protect themselves against the fluctuations in the price for their produce. In the ancient times, the commodities traded were – the Agricultural Produce, which was exposed to higher risk i.e., the natural calamities and had to face the price

uncertainty. It was certain that during the scarcity, the farmer realized higher prices and during the oversupply he had to loose his profitability. On the other hand, the trader had to pay higher price during the scarcity and vice versa. It was at this time that both joined hands and entered into a contract for the trade i.e., delivery of the produce after the harvest, for a price decided earlier. By this both had reduced the future uncertainty.

One stone still remained unturned- ‘surety of honoring the contract on part from either of the parties’. This problem was settled in the year 1848, when a group of traders in CHICAGO came forward to standardize the trading. They initiated the concept of “to-arrive” contract and permitted the farmers to lock in the price upfront and deliver the grain at a contracted date later. This trading was carried on a platform called CHICAGO BOARD OF TRADE, one of the most popular commodities trading exchanges’ today. It was this time that the trading in commodity futures’ picked up and never looked back.

Although in the 19th century only agricultural produce was traded as a futures contract, but now, the commodities of global or at least domestic importance are being traded over the commodity futures’ exchanges. This form of trading has proved useful as a device for HEDGING and SPECULATION. The commodities that are traded today are:

- Agro-Based Commodities... Wheat, Corn, Cotton, Oils, Oilseeds etc..
- Soft Commodities..... Coffee, Cocoa, Sugar etc
- Livestock..... Live Cattle, Pork Bellies etc
- Energy..... Crude Oil, Natural Gas, Gasoline etc
- Precious Metals..... Gold, Silver, Platinum etc

Other Metals..... Nickel, Aluminum, Copper etc

NEED AND IMPORTEENCE OF STUDY

One of the single best things you can do to further your education in trading commodities is to keep thorough records of your trades. Maintaining good records requires discipline, just like good trading. Unfortunately, many commodity traders don’t take the time to track their trading history, which can offer a wealth of information to improve their odds of success. Most professional traders, and those who consistently make money from trading commodities, keep diligent records of their trading activity. The same cannot be said for the masses that consistently lose at trading commodities.

Losing commodity traders are either too lazy to keep records or they can’t stomach to look at their miserable results. You have to be able to face your problems and start working on some solutions if you want to be a successful commodities trader. If you can’t look at your mistakes and put in the work necessary to learn from them, you probably shouldn’t be trading commodities.

Derivatives exchanges, traders, investors and other participants.

SCOPE OF THE STUDY

The study mainly focuses on Indian commodity market, its history and latest developments in the country in commodities market (Silver, Gold and Cotton). The study also keeps a birds-eye view on global commodity market and its development. The study vastly covered the aspects of commodity trading (Silver, Gold and Cotton), clearing and Settlement mechanisms in Indian commodity exchanges. The scope of the study is limited to Indian commodity market

A network of 2500 business locations spread over 500 cities across India facilitates the smooth acquisition and servicing of a large

customer base. Most of our offices are connected with the corporate office in Mumbai with cutting edge networking technology. The group helps service more than a million customers, over a variety of mediums viz. online, we cannot study all the data in the organization.

II. RESEARCH METHODOLOGY

The present study is conducted to provide information to the company regarding the investor perception towards commodity market.

SOURCES OF DATA

Primary data

Data was collected in systematic manner by meeting the existing investors in commodity market & other individuals.

Primary and secondary data were utilized for the purpose of the study by the researcher.

The research is aimed to obtain the data mainly through primary sources. Survey method has been used to obtain information.

Secondary data

Secondary data was collected from companies and from commodities (Silver, Gold and Cotton) trading websites.

TYPE OF RESEARCH

Based on the objectives of the study, the descriptive research method is used. Descriptive study is taken up when the researcher is interested in knowing the investor perception in commodities market. The conclusions are arrived at from the collected data. Statistical tools were used to analyze the data collected from the survey.

SURVEY METHOD

A survey was conducted amongst the investors in Hyderabad and Secunderabad. The researcher personally met the investors, interviewed them and got their questionnaires filled.

INSTRUMENT DESIGN

In order to obtain information the researcher prepared a structured questionnaire. The

researcher prepared a single questionnaire according to the need of the data from the respondent.

PRE-TESTING OF QUESTIONNAIRE

The researcher to remove questions that are of vague and ambiguity in the nature conducted the pre-testing. The samples of 10 respondents were selected and the questionnaire was pre-tested and the researcher made necessary modifications.

CODING AND TABULATION

After the survey was conducted, the data had to be converted in to statistical or numerical form so that inference could be drawn about the sample collected. For this, every option of every question was coded into alphabets (i.e; they would be represented in alphabets). The alphabets were used to denote the option and no ranking order was used. The coded data was entered into the data sheet. Frequencies were found out for each option and thus giving us the percentage of the option usage, etc.

LIMITATIONS OF THE STUDY

- ❖ The survey was confirmed to the surroundings of twin cities Hyderabad & Secunderabad.
- ❖ The investor's response could have been biased.
- ❖ Time of 6 weeks was constraint for the study.
- ❖ Brokers can only transact futures trades if they are registered with the CFTC and the NFA.
- ❖ Only certain types of commodities (Silver, Gold and Cotton) can be the basis for futures trading.

III. LITERATURE REVIEW

INTRODUCTION

Until 1990, the Gold Control Act forbade the private holding of gold bars in India. There was physical investment in smuggled ten tola bars, but it was limited and often amounted to keeping

a few bars ready to be made into jewellery for a family wedding. Gold investment essentially was in 22 carat jewellery.

Reserve Bank of India

since 1990, investment in small bars, both imported ten tolas and locally-made small bars, which have proliferated from local refineries, has increased substantially. GFMS estimate that investment has exceeded 100 tonnes (3.2 million oz) in some years, although it is hard to segregate true investment from stocks held by the 16,000 or more gold dealers spread across India. Certainly gold has been used to conceal wealth, especially during the mid-1990s, when the local rupee price increased steadily.

It was also augmented in 1998 when over 40 tonnes (1.3 million oz) of gold from bonds originally issued by the Reserve Bank of India were restituted to the public.

In the cities, however, gold is having to compete with the stock market, investment in internet industries, and a wide range of consumer goods. In the rural areas 22 carat jewellery remains the basic investment.

FINANCIAL DERIVATIVES

The term derivatives refer to a large number of financial instruments whose value is derived from the underlying assets. Derivative instruments like the options and futures facilitate the trading in financial contracts. The most important underlying instruments in the market are in the form of Equity, treasury bills, and foreign exchange. The trading in the financial derivatives has attracted the prominent players of the equity markets.

The primary purpose of a derivative contract is to transfer risk from one party to another i.e. risk is transferred from a party that wants to get rid of it to another party i.e. willing to take it. The major players seen in the derivatives segment are the SPECULATORS whose sole objective is to buy and sell for a

profit alone. The HEDGERS are the other breeds of players, who aim merely to have a hedge positions. They are risk free investors whose intention is to have a safety mechanism and wish to protect their portfolio. Nevertheless, they are pursued as a cheap and efficient way of moving risk within the economic system. But the world of derivatives is riddled with jargons making it more awesome.

The trading in equity through the derivatives in India was introduced in the year 2000 by the Securities and Exchange Board of India [SEBI] and this was described as the “India’s derivative explosion”. Although this took a definite form in 2000 but the idea was initiated in the year 1995. It was then in the year 2000 that SEBI permitted the trading in the options on the platforms of India’s premier exchange platforms i.e., the National Stock Exchange Of India limited [NSE] and The Bombay Stock Exchange [BSE] in the individual securities. But the futures contracts took 17 long months to get launched on November 09’ 2001.

The trading in options and futures in the individual stocks were permitted to trade on the stable stocks only. The small and highly volatile stocks were an exemption from the trade in derivatives. Futures and options are important tools that help the investors to derive profit. The futures facilitate the investor to enter into a contract to deliver the underlying security at a future date whereas, the options allow it to his discretion as to whether he wants to buy (call) or sell (put) the contract.

The current trading behavior in the derivatives segment reveals that single stock futures continues to account for a sizeable proportion. A recent report indicates that the trading in the individual stock futures in the Indian exchanges has reached global volumes. One possible reason for such a behavior of the

trader could be that futures closely resemble the erstwhile 'BADLA' system.

COMMODITY DERIVATIVES

Commodity market is an important constituent of the financial markets of any country. It is the market where a wide range of products, viz., precious metals, base metals, crude oil, energy and soft commodities like palm oil, coffee etc. are traded. It is important to develop a vibrant, active and liquid commodity market. This would help investors hedge their commodity risk, take speculative positions in commodities and exploit arbitrage opportunities in the market.

The need for a futures market in the commodities, especially, in the primary commodities was emphasized because such a market not only provides ample opportunities for effective management of price risk, but also, assists inefficient discovery of prices which can serve as a reference for the trade in the physical commodities in both the external as well as in the internal market.

India, a commodity based economy where two-third of the one billion population depends on agricultural commodities, surprisingly has an under developed commodity market. Unlike the physical market, futures markets trades in commodity are largely used as risk management (hedging) mechanism on either physical commodity itself or open positions in commodity stock.

There was an effort to revive these markets but all went in vain due to improper infrastructure and facilities. However, after India joined the *WORLD TRADE ORGANIZATION* the need to protect the agricultural community against the price fluctuations cropped up. The National agricultural policy 2000 was formulated and proposed to expand the coverage of the futures market to minimize the volatility in the commodities prices and hedging the risk

arising out of the fluctuations in the prices. As a result of this there is a standardized form of commodity futures trading in the country, today and a lot number of people are active in the commodities exchanges, taking it to a great high.

The active players in these exchanges are Traders, Speculators and the Hedgers. It is said that now-a days the prices of the commodities in the Physical Market (Mandis) is derived in accordance to the spot prices in the commodity exchanges.

Clearly, in the nascent stage, the derivatives market in India is heading in the right direction. In the terms of the number of contracts in a single commodity/stock it is probably the largest market globally. It is no longer a market that can be ignored by any of the serious participants. The Indian economy, now, is at the verge of greater expansion the any other economies in the globe today. This has attracted a large number of institutional investors, both – the Indian as well as foreign, to invest in to the Indian stocks and commodities, thereby bringing in a lot of forex reserves. As predicted by the popular investment *Gurus* and the great *Economists* world wide, "*India will be a major player in the global economy by the end of this decad*". We can conclude that, with the institutional participation set to increase and a broader product rollout inevitable, the market can only widen and deepen further.

TRADING INSTRUMENTS

Derivatives in the recent times have become very popular because of their wide application. Before getting into the hard talks about the commodities trade, let us know about the trading instruments in the derivatives, as they are similarly applicable to the commodities derivatives.

There are 4 types of Derivatives instrument:

- ❖ *Forward contract*
- ❖ *Future contract*

- ❖ *Options contract*
- ❖ *Swap*

Futures and Options are actively used in many exchanges whereas; Forwards and Swaps are mostly trade Over the Counter (OTC).

FORWARDS CONTRACT

A spot or cash market is the most commonly used for trading. A majority of our day-to-day transactions are in the cash market. In addition to the cash purchase, another way trading is by entering into a *Forward contract*. A Forward contract is an agreement to buy or sell an asset on a specified date of a specified price. These contracts are usually entered between a financial institution and its corporate clients or two financial institutions themselves. In the context to the Commodity trading, prior to the standardization, the trade was carried out as a forwards contract between the Associations, Producers and Traders. Where the Association used to act as counter for the trade.

A forward contract has been in existence in the organized commodities exchanges for quite sometimes. The first forward contract probably started in Japan in the early 18th century, while the establishment of the CHICAGO BOARD OF TRADE (CBOT) in 1848 led to the start of a formal commodities exchange in the USA.

IV. DATA ANALYSIS AND INTERPRETATION

Multi Commodities Exchange of India Ltd. (MCX) – Silver Price Table

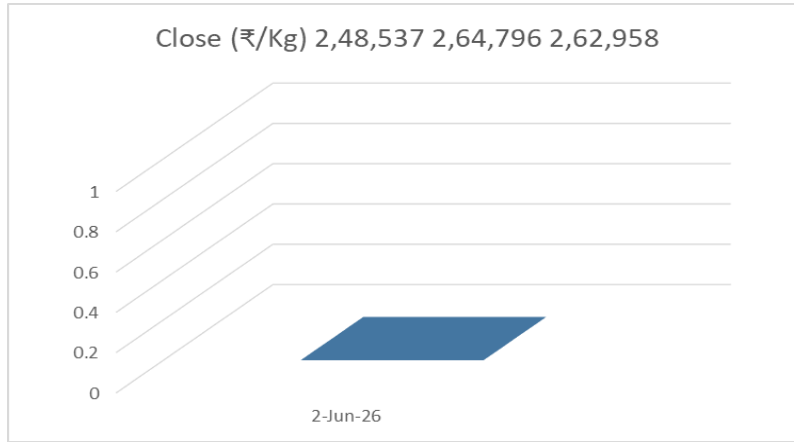
The following table presents recent MCX Silver Futures prices (July 2026 Contract) traded on the Multi Commodity Exchange of India (MCX).

Date	Open (₹/Kg)	High (₹/Kg)	Low (₹/Kg)	Close (₹/Kg)	Change
05-Jun-2026	2,60,024	2,61,892	2,47,286	2,48,537	-16,259 (-6.14%)
04-Jun-2026	2,63,146	2,67,800	2,61,596	2,64,796	+1,838 (+0.70%)
03-Jun-2026	2,66,668	2,67,495	2,62,131	2,62,958	-3,749 (-1.41%)

Forward contracts are very useful in HEDGING and SPECULATION. The essential idea of entering into the forward contract is to Hedge the price thereto avoid the price risk. By entering into a forward contract one is assured of the price at which the goods/assets are bought and sold. The classic Hedging example would be that of an exporter who expects to receive payment in foreign currency after three months. As he is exposed to greater amount of risk in the fluctuations in the exchange rates, he can, with the use of forwards, lock-in the rate today and reduce the uncertainty. Similarly, if a speculator has the information of an upswing in the prices of the asset, he can go long on the forward market instead of the cash market and book the profit when the target price is achieved.

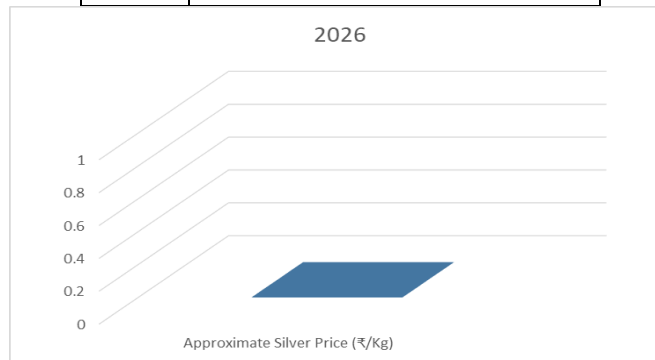
The forward contract is settled at the maturity date. The holder of the short position delivers the assets to the holder of the long position on the maturity against a cash payment that equals to the delivery price by the buyer. The price agreed in the forwards contract is the DELIVERY PRICE. Since the delivery price is chosen at the time of entering into the contract, the value of the contract becomes zero to both the parties and costs nothing to either the holder of the long position or to the holder of the short position.

02-Jun-2026	2,66,202	2,71,411	2,65,685	2,66,707	+544 (+0.20%)
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Trend in MCX Silver Prices

Year	Approximate Silver Price (₹/Kg)
2020	63,000
2021	70,000–75,000
2022	60,000–65,000
2023	75,000–85,000
2024	90,000–1,00,000
2025	Crossed ₹2,00,000
2026	Around ₹2,40,000–₹2,60,000



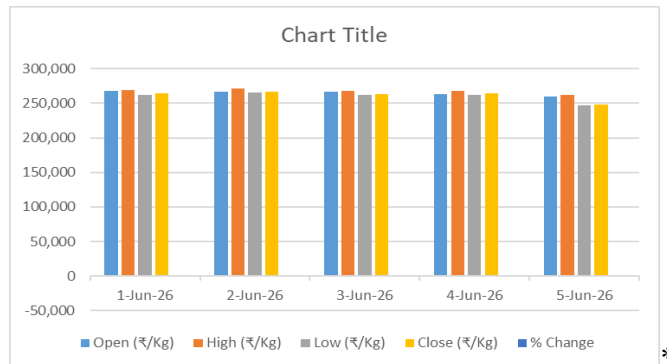
The MCX silver market has witnessed exceptional growth, with prices crossing ₹2 lakh per kilogram in late 2025 and remaining highly volatile during 2026.

Table: MCX Silver Futures Price Movement

Date	Open (₹/Kg)	High (₹/Kg)	Low (₹/Kg)	Close (₹/Kg)	% Change
01-Jun-2026	268,093	268,684	262,100	264,355	-0.99

02-Jun-2026	266,202	271,411	265,685	266,707	+0.20
03-Jun-2026	266,668	267,495	262,131	262,958	-1.41
04-Jun-2026	263,146	267,800	261,596	264,796	+0.70
05-Jun-2026	260,024	261,892	247,286	248,537	-6.14

Source: MCX Silver Futures Market Data.



Interpretation

- The MCX Silver Futures market experienced considerable volatility during the study period.
- Futures prices reacted quickly to changes in global economic conditions, interest rate expectations, and investor sentiment.
- The sharp decline on 05-Jun-2026 suggests that traders anticipated lower future silver prices, leading to increased selling activity.
- Despite short-term fluctuations, silver remains an important commodity for hedging against inflation and economic uncertainty.
- The futures market enables participants to manage price risk, but high volatility increases both profit opportunities and potential losses.
- Investors should closely monitor global economic indicators, currency movements, and precious metal demand before taking positions in silver futures.

V. FINDINGS:

- Due to the increasing of inflation in the country the silver, Gold and Cotton got very much importance and it was increased and the commodities market.
- It shown that the more of the given share is known as commodities i.e. 59% and other got very less as compared to commodities.
- The value of the commodity market increased because of increasing in the

values of the commodities and also the availability is also not easy because it is a prestigious metal.

- Due to the increase in the purchase of products got very much importance for commodity and it was increased
- Majority of the Investor's trade in the Commodities Market but few Done & Left due to Losses & Settlement Problems.

- Investors purchased commodities from **Karvy Ltd** because of the company's policies and information availability.
- Due to the increase in the population in the country the commodity products got very much importance and it was increased and also increased interest in the purchase of silver.
- Most of the investors feel that commodity trading is very good and remaining says good for investing
- Trading in Commodities Futures is More Beneficial & More Leveraging got more percentage.
- Due to the increase in the services in the country the Services they prefer from a Financial Advisory Institution is telephone.
- Due to the increase in the population in the country the general market got very much importance and it was increased and also increased interest in the purchase of Jewelers.
- Most of the investors preferring **Karvy Ltd** for investing in the commodity market.

VI. CONCLUSION

Commodities market, contrary to the beliefs of many people has been in existence in India through the ages. However the recent attempt by the Government to permit Multi-commodity National levels exchanges has indeed given it, a shot in the arm. Commodity includes all kinds of goods. FCRA defines "goods" as "every kind of movable property other than actionable claims, money and securities". Futures trading are organized in such goods or commodities as are permitted by the Central Government. Firstly, the price movements are more predictable, purely based on demand and supply of that commodity, unlike in other markets where price

manipulations are very much possible, hence the investor is fixed.

To that extent market price risk is reduced. Secondly, the markets are working virtually round the clock, (NCDEX works from 10:00 AM to 3:30 PM and next session from 7:00 PM to 10:30PM) so any drastic news is digested. In case of other markets this provision is not there, just think of September 11th episode, next day equity markets opened far down and the Investors are left hanging. The future contracts available on a wide spectrum of commodities like Gold, Silver, Cotton, Steel, Soya oil, Soya beans, Wheat, Sugar, Channa etc., provide excellent opportunities for hedging the risks of the formers, importers, exporters, traders and large scale consumer. **Karvy Ltd** is another venture of the prestigious **Karvy Ltd**. With our well establish presence in the multifarious facets of the modern financial services industry from Stock Broking to registry services.

VII. SUGGESTIONS

- ❖ Commodity market presently deals with FUTURES contract and most probably OPTIONS are provided, it would be convenient to the investors.
- ❖ As the fund managers take decisions with mutual fund investment, it would be another option for him to invest through mutual funds in commodity market.
- ❖ If Government takes this commodity market into awareness for the farmers, it would be better for them to take their own decisions for commodity which they want to trade.
- ❖ As there is an option for the trader to take the physical delivery, it would be better if the Government cuts the tax rate for the physical delivery of goods.

- ❖ Avoid buying shares of the company which are not traded on your stock exchange.
- ❖ Investor must show interest in steady and fast growth shares only.
- ❖ Avoid buying Turn rounds (making loss continuously), Cyclical (cycles of good and bad performance), Dog shares (very inactive or passive).
- ❖ Avoid companies with low PIE ratio relative to the market as always.
- ❖ If the investor is confident of EPS moving up and expects PIE to increase as well stick to the shares and be patients.

www.mcx.com

www.derivativesindia.com

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WEBSITES:

KARVY LEARNING CENTRE

www.karvy.com

www.karvycommodities.com

www.ncdex.com