

COMMODITIES AS AN ASSET CLASS

Commodities are a wonderful asset elegance with returns which are in large part independent of stock and bond returns. Therefore, adding huge commodity publicity can help diversify a portfolio of shares and bonds, probably reducing the hazard of an ordinary portfolio and boosting returns.

Gold is a exceedingly liquid asset, which isn't any one's liability, carries no credit score chance, and is scarce, historically keeping its fee over the years. It additionally advantages from numerous resources of demand: as an investment, a reserve asset, gold jewellery, and a generation factor. These attributes suggest gold can beautify a portfolio in three key approaches:

- Delivering lengthy-time period returns
- Improving diversification
- Providing liquidity

Silver, as an asset magnificence, may be used in your asset allocation to diversify portfolio dangers due to the fact silver has low correlation with equities.

Silver usually outperforms gold in bull-markets. Hence it can add similarly diversification to the asset allocation in your investment portfolio.

Silver is likewise used in new age industries e.g. Sun panels, electric automobiles, smartphones, superior electronics and so forth. With the boom of those new age industries, silver demand for business use is anticipated to rise extensively within the future. Though commercial demand is rising, the delivery of silver is relatively confined. Therefore, there may be good sized scope of better returns on investment from silver.

Since base metals, such as Copper trading entails shopping for and selling copper contracts or derivatives in monetary markets. Traders purpose to take advantage of price fluctuations in copper by using speculating on its future price. Copper buying and selling can be carried out via numerous platforms, along with futures exchanges, commodities agents, and on line trading platforms.

For example, if copper prices are continuing to rise, then the overall economy may be improving. Alternatively, if prices begin to fall, it may be an indicator that the economy is shrinking in crucial areas such as homebuilding.



The strength bull market in oil, gas, power and coal will retain for the following years. After that, all bets are off, but the zone may additionally get an unexpected uplift from the nascent and surging worldwide environmental financial markets. Already, the Emissions Trading Scheme (ETS) within the EU has induced a stampede of investment into carbon hedge price range and emissions buying and selling.

Today, futures and options contracts may be traded on exchanges around the world on a large array of agricultural merchandise, metals, energy merchandise and smooth commodities. These standardized contracts enable producers of commodities to offload their fee hazard to stop customers and other financial marketplace contributors.

Commodities have also advanced as an asset class because the Nineties, with the improvement of commodity futures indexes and ultimately, investment motors that benchmark towards these indices. Today buyers can pick from an expansion of vehicles for making an investment within the commodities futures markets, from mutual price range to alternate-traded funds or notes, protecting the extensive spectrum from single commodity exposures to quarter based and broad primarily based commodity exposures.

Asset Class Performance

	Asset Class Performance			
	1 YR's	5 YR's	10 YR's	20 YR's
GOLD	16.59 %	35.93 %	25.89 %	190.36 %
SILVER	22.42 %	33.39 %	-8.33 %	227.82 %
CRUDEOIL	10.77 %	16.20 %	-37.77 %	203.17 %
NIFTY	13.11 %	78.59 %	93.02 %	235.50 %
BANKNIFTY	11.69 %	75.11 %	94.87 %	262.62 %
DOLLAR INDEX	2.87 %	4.75 %	15.67 %	-6.60 %
RUPEE	-0.56 %	-14.14 %	-11.41 %	-19.38 %

Investors usually appearance to a commodities allocation to provide 3 key advantages to their portfolios: inflation protection, diversification and return ability.

Because commodities are "real assets," they have a tendency to react to converting financial fundamentals in special methods than shares and bonds, which can be "financial assets." For instance, commodities are one of the few asset lessons that have a tendency to benefit from rising inflation. As call for items and services increases, the fee of those goods and offerings typically rises as well, as do the charges of the commodities used to provide the ones items and services. Because commodity fees generally upward thrust while inflation is accelerating, investing in commodities may additionally offer portfolios with a hedge towards inflation.



In contrast, shares and bonds have a tendency to carry out higher whilst the charge of inflation is strong or slowing. Faster inflation lowers the cost of destiny cash flows paid with the aid of stocks and bonds due to the fact that destiny cash could be capable to shop for fewer items and offerings than they could nowadays.

For these motives, returns from a vast and varied commodity index including the Bloomberg Commodity Index, Credit Suisse Commodities Benchmark or the S&P Goldman Sachs Commodity Index, have historically been largely unbiased of stock and bond returns, but definitely correlated with inflation.

How to trade in Commodity

There are various option to trade in commodity:

- Through Multi Commodity Exchange (MCX)
- Exchange traded funds (ETFs)
- Sovereign Gold bonds
- Physical delivery



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