

Mercantile Exchange Nepal Limited
Invest - Trade - Earn
AN ISO 9001:2008 CERTIFIED EXCHANGE

MEX EXPRESS

A Smart Solution for Online Trading

www.mexnepal.com

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KYC: Corn

PAGE 2



MEX News Portal

PAGE 3



Market Perspective

PAGE 4



From the CEO's Desk



As we bid farewell to the year 2013, and likewise usher in the New Year with renewed vigor and enthusiasm, I would like to turn the pages back and enlighten the ardent readers of this edition of the MEX Express on the major events of the institution in the year gone by. This reminiscence may not be as useful as a brick from the Berlin Wall but just like that plain old brick's value as a memorabilia; 2013 will certainly be etched in the pages of history as the year in which MEX Nepal managed to retain the charm of its glorious preceding years amidst the various challenges and obstacles that the market environment threw before us.

The major challenge of the year was the migration to a new core online business solution i.e. a new online trading platform for the existing clients. This task seemed tedious given the magnitude of the assignment in front of us, but due to the perpetual co-operation from all the stakeholders involved, I am glad to say the migration was smooth for all the parties involved. The need of a new platform was driven by the investors themselves and I am glad to say that the traders have embraced the new console with open arms.

MEX Nepal had added another feather in its long list of accomplishments by becoming the first commodity exchange to be nominated amongst the top 5 for the FNCCI Award for National Excellence, i.e. the apex award, and the FNCCI Award for Services Excellence, in the medium category in the FNCCI National Excellence Awards-2010. This enormous feat is the concentrated effort of all the stakeholders involved and will certainly place the commodity market in general on the roadmap for enhanced interest amongst the contemporary investors.

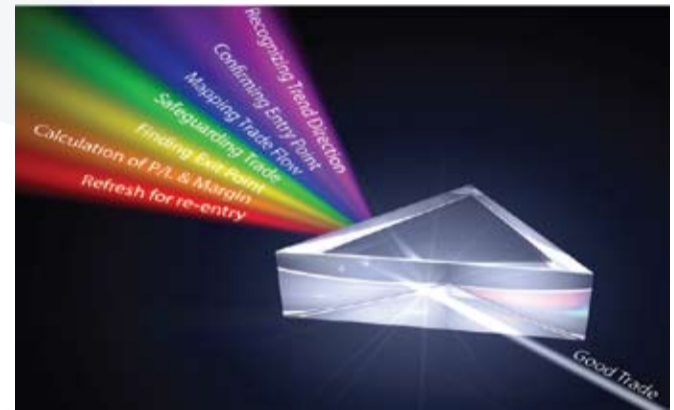
A void was felt in the limited banking options that the corresponding investors had within the trading environment. Keeping this view in mind, MEX Nepal undertook an understanding with Nepal Investment Bank Limited, thereby bringing to the forefront the third banking partner affiliated with us. With this understanding, investors have increased their options in selecting the bank of their choice while trading within the system.

As I conclude this message, I am looking at the sun beaming through our windows throwing a sense of hope and belief in the ensuing year ahead. 2014 - is certainly a year of endless opportunities, let's embrace it!

- Jitesh Surendran
CEO, MEX Nepal

Small Techniques make a BIG difference!!!

When VIBGYOR, the perfect combination of sequential colors pass through prism, the white light can be seen but when VIBGYOR passes through any ordinary glass then no effect can be seen although small amount of energy is lost. This example is truly fitted to daily trading in the commodity futures. Commodity trading has some fundamental strategies whose synergy affect may increase chances of a winning trade. There are seven small but winning techniques that can lead to profitable trade.



- (1) Recognizing Trend Direction, (2) Confirming Entry Point
- (3) Mapping Trade flow
- (4) Safeguarding Trade (5) Finding exit point (6) Calculation of P/L and Margin (7) Refresh for reentry

- (1) **Recognizing Trend Direction:** It is foremost part of commodity trading to know the trending direction. This will determine to go for a BUY or a SELL. If the trend is an upward direction then the trader should go for a BUY in any downward-ditch and if the direction of trend is downward then the trader should go for a SELL with opportunity of any upward-crest. To know the trend, a lot of technical indicators can be used like CCI, Average Directional Movement Index, Moving average etc. Brief knowledge of any trend line indicator is required. It must be noted that while recognizing the Trend, one should keep on watching macro-economic events that cause market movements because reversal of trend can be seen at any point of time due to strong or weak economic event.
- (2) **Confirming Entry Point:** Once the Trend is identified then the next step is to confirm the price at which the trade can be initiated and should be marked properly without any confusion. It's not always psychologically easy to find the entry point of trade but it's not tough to get too. Various methods can be used to uphold for Trade Entry Point like Candlestick Patterns, Volume, and Fibonacci etc but at the same time, Bounces, Break out, Continuation or Reversal pattern can help the traders to locate the Entry Point during analysis.
- (3) **Mapping Trade flow:** After entry into a trade, the trader should map the trade continuation that how long they can stick with time of profit & time of loss. Simply, a trader should have exact preplanned trading flow strategies to avoid any dilemma and Mapping of trade flow should be pre-information based and practical. It can be traced by copious technical tools like Price Movement, Support & Resistance, Day range identification etc. In an easy way, its surveillance time for trading till calculated price reaches. It should be noticeable that before mapping the trade-flow, one should have idea about next coming economic news which can pull or pushes the price of security with unexpected jump so economic calendar must be watched timely before making this plan.
- (4) **Safeguarding Trade:** This is an imperative step in the process of trading to protect the trade with the help of features availability and suitability e.g. Take Profit, Stop Loss, Buy Limit or Sell Limit. Trader should try to maximize profit when they are in winning situation but it is state of mind of novice trader that when they are in small profit, they used to close position and try to be out of the trading session and while they are in loss then they used to keep on waiting for reversal. This is nothing but only a trade fear in the mindset and it should be avoided as much as possible.
- (5) **Finding exit point:** This is last step to trading methodology which lets the trader find the exit point of running trade. Trader is exclusively decision maker here when to close position regardless of winning trade or losing trade. Trade exit point can be decided with study of Support & Resistance level, Candlesticks patterns, Pivot Points, Day High & Low level etc. It should be set before starting the trade and must be more than total commission paid and spread loss but if luck favors strongly then let the profit run till next decided exit point as per the situation. Let's try to take maximum possible tick to add in the profit sum.
- (6) **Calculation of P/L and Margin:** This is the step to know the strength of a successful or a failure trade during a trading session. Profit or deficit in account is calculated and accordingly needs to be adjusted margin amount. If equity is surplus then margin/risk ratio can be increased in the next coming trades and if it is in deficit then the ratio needs to be minimized.
- (7) **Refresh for Reentry:** Trader should give space after each trading session because market conditions can be changed at any moment as it is unpredictable most of the time that's why a trader should always have a fresh look towards every trade regardless of the excitement of winning and depression of loosing.

Although commodity futures trading is somewhat situational than educational in many times that's why Mr. Jay Gould, a Speculator whose success made him the ninth richest American in history told that "No man can control Wall Street. Wall Street is like the ocean. No man can govern it. It is too vast. Wall Street is full of eddies and currents. The thing to do is to watch them, to exercise a little common sense, and ... to come out on top."



Lakshman Pandit
Manager
Business Development
Department
MEX Nepal

Know Your Commodities

Corn



Introduction

Corn, also called as maize, is one of the most important agricultural crops in the world. In the late 15th and early 16th centuries, when Americans were in contact with the Europeans, explorers and traders carried corn back to Europe and introduced it to the other countries. Maize spread to the rest of the world because of its ability to grow in diverse climates.

Sugar-rich varieties called sweet corn are usually grown for human consumption, while field corn varieties are used for animal feed and as chemical feed stocks. It is believed that, it was first cultivated in highlands of Mexico thousand years ago.

There are various varieties of corn like – yellow, black kernels, red, pink and blue which are often spotted, striped or banded. Corn is the most widely grown grain crop throughout the Americas, with 332 million metric tons grown annually in the United States alone. And of that, approximately 40% of the crop — 130 million tons — is used for corn ethanol. It is mainly used to prepare variety of foods (breads, muffins, cereal, popcorn, meal, corn oil, etc.). The usage of corn also expands to its use as sweeteners, alcoholic beverages, ethanol, etc.

Fundamental Facts

- Weather is an important factor for the production of corn. Any fluctuation in weather conditions like rainfall, temperature, soil moisture, etc. affects the corn supply. Likewise, natural calamities like floods, drought, earthquake, etc. affects its production which ultimately affects the corn prices.
- Any main event in major corn producing, consuming, importing, and exporting countries affects the prices of corn.
- Price fluctuation of substitute's products increases the demand volatility of corn which ultimately affects its price.
- Any major technological change or fungus & diseases during production, harvesting or distribution may increase or decrease corn productivity and supply which reduces the prices of corn.
- The seasonal cycle of crop also affects its prices. For example, the price of corn tends to be lower during its harvesting seasons and higher at the time of sowing due to its tight supply.
- Corn is extensively used for the ethanol production; therefore demand of corn for the ethanol production also influences the price rise of corn. Ethanol has expanded its use as

an alternative fossil fuel due to the hike in the energy prices; this has led to the increase in demand for the ethanol. Thus, ups and downs of the fuel prices also affect the corn prices.

Major Producers

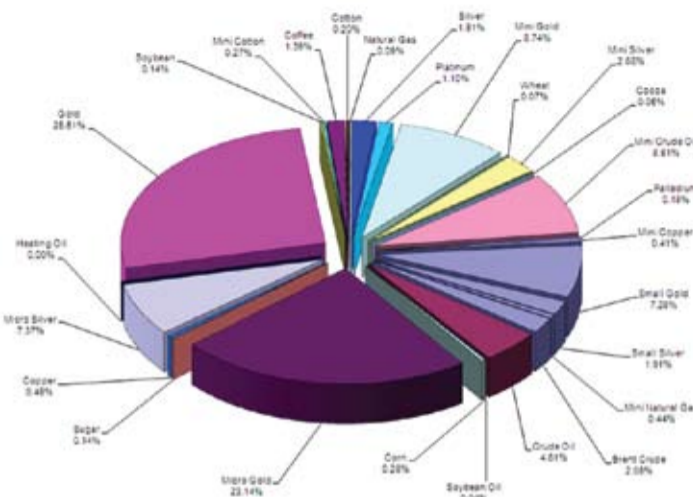
The top producers of corn in the world are United States of America, China, Brazil, Argentina and Mexico as per the records of 2012.

Major Consumers

The top Consumer of corn in the world is United States of America, Brazil and China.

Market Capitalization - Futures Contracts

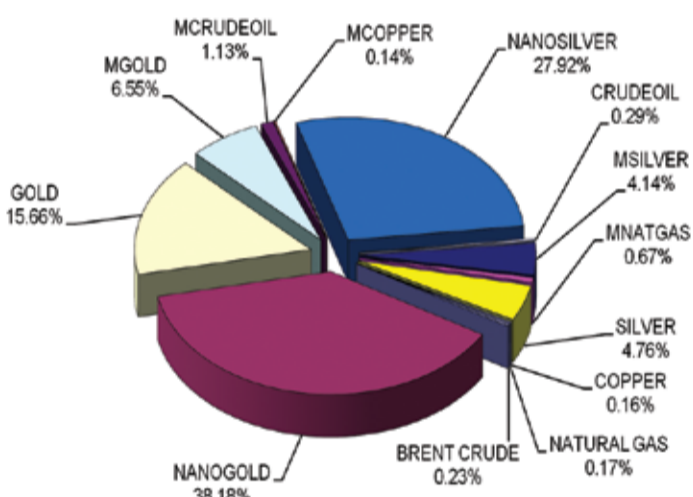
From OCT 2013 - DEC 2013 (in %)



Market Capitalization of all the future contracts listed in the MEX terminal. Gold continues to have the maximum capitalization followed by Micro Gold and Mini Gold

Market Capitalization - Spot Contracts

From OCT 2013 - DEC 2013 (in %)



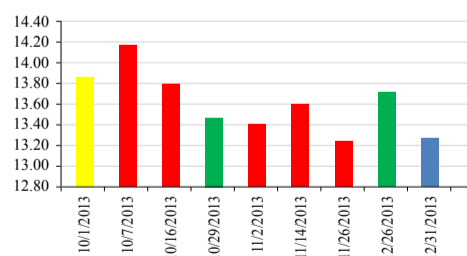
Market Capitalization of all the spot contracts listed in the MEX terminal. Nano Gold continues to have the maximum capitalization followed by Nano Silver and Gold.

CORN CONTRACT SPECIFICATION

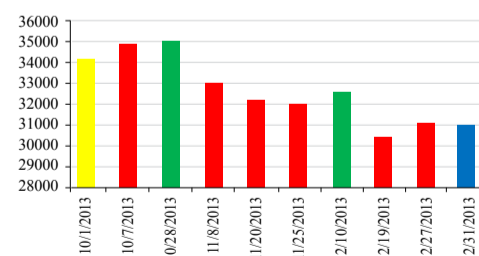
Contract size	10,000 Kg
Price Quoted	NPR per Kg
Unit	Kilogram
Initial Margin	7,500 NPR
Trading Session	00:00 - 01:00, 06:45 – 19:30, 20:15 – 00:00
Contract Months	March, May, July, Sept, & Dec

Major Market Movers for Corn and Gold (1st October-31st December 2013)

CORN



GOLD



Note:

Date	News
10/1/2013	Opening Price as of 1st October 2013
10/7/2013	Prices fall as lack of data from USDA
10/16/2013	Due to ethanol production up by 30%, corn price was down by 1%.
10/29/2013	The adaptation done by the farmers and general public made the price move up.
11/2/2013	Prices showed up with sufficient volatility after the increment in the Canadian pulse.
11/14/2013	Harvest in full swing in the US, producers offering discounts push down prices
11/26/2013	Due to the unimpressive National Feedstuffs Market Review, the interest of the traders got diverted and the prices fell to lowest.
12/26/2013	Due to Memphis Daily Grain Report and two other impressive Daily Grain Elevator bids, Kentucky and Nebraska, the prices increased to highest.
12/31/2013	Closing Prices as of 31st December 2013

Note:

Date	News
10/1/2013	Opening Price as of 1st October 2013
10/7/2013	Gold prices fall after FED decides of an early cut to the Federal Reserve's stimulus program.
10/28/2013	US dollar strengthens suppressing gold and silver prices
11/8/2013	Dollar strengthened after the Federal Reserve subdued tapering concerns about its billion-friendly stimulus program Dollar strengthened after the Federal Reserve subdued tapering concerns about its billion friendly stimulus program
11/20/2013	Fed announcement that the central bank should continue its stimulus measures to support the growth of its ailing economy.
11/25/2013	Silver prices stabilizes as Euro Banks are downgraded by S&P attracts investors
12/10/2013	Gold heading up as markets react to the statements from the US as well as lowered demands from China and India.
12/19/2013	Fed tapering its stimulus measures during the mid of the month.
12/27/2013	Demand from the Chinese and the Indian markets for the day ebbed on the downside
12/31/2013	Closing Prices as of 31st December 2013

Bhutan: A visit to provide insights for the Growth of the Capital market



MEX Nepal CEO Jitesh Surendran with Mr. Daw Tenzin , Governor RMA and Dy. Governor



MEX Nepal CEO Jitesh Surendran with Mr. Dorji Phuntsho, CEO RSEBL and Mr. Dorji Dhradhul, DIR, Dept of Agriculture, Thimpu Bhutan



MEX Nepal CEO with Mr. Nim Dorji, Joint SEC, Ministry of Finance, Thimpu

On the invitation from the concerned authorities, the CEO of MEX Nepal, Mr. Jitesh Surendran, embarked on a journey to the land of the thunder dragon, Bhutan, on 17th November, 2013 to furnish his valuable inputs for capital market development in the country. The visit evolved around meeting with various dignitaries from major entities including Mr. Daw Tenzin, Governor of Royal Monetary Authority of Bhutan and Dy. Governor, Mr. Dorji Phuntsho, CEO of Royal Securities Exchange of Bhutan, Mr. Dorji Dhradhul, Director of Dept of Agriculture, Mr. Kipchu Tshering, CEO of Bhutan National Bank and Mr. Nim Dorji, Joint Secretary, Ministry of Finance. There were numerous discussions held with the aforementioned dignitaries to provide the intricacies related with the development of capital market in the country. Since the stock exchange of Bhutan i.e. Royal Securities Exchange of Bhutan, is also a primary member of the South Asian Federation of Exchanges, Pakistan, the mutual participation & co-operation between the duo is bound to herald endless possibilities in the ensuing future. MEX Nepal is honored and privileged to provide consultancy for the development of the Capital market in Bhutan and hopes that the visit proves to be the beginning of an enduring relationship in the days ahead!

MEX CSR



As part of CSR activities this quarter, MEX Nepal had provided financial assistance to **Rasuwa Langtang Liring Orphan Society**, on 10th December 2013. The Rasuwa Langtang Liring Orphan Society was established in the year 2061 B.S. with the purpose of social services for children. Since its establishment, this society has been active in many social service programs and is registered with the 2061 B.S. District Authority (Regd. No. 241) as well as with the non-profit charity organization Samaj Kalyan Parisad (Regd. No.174831061).

Employees from Mercantile Exchange visited the orphanage to gain knowledge on the activities undergoing in the charitable organization. MEX Nepal is privileged and honored to provide assistance to the charitable organization and help to shape the future of these children in the ensuing days.

Inter market analysis

All markets are now interconnected with each other; few are closely correlated, positively or negatively and can be experienced easily and this phenomenon was first studied and developed by John Murphy.

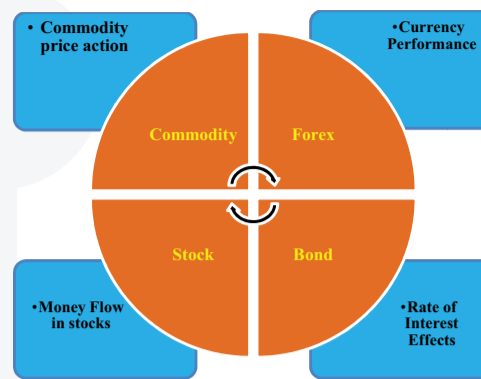
If something happens in one market then it affects another market. Simply the price of commodity in one market affects the price of same commodity in other market. This co-relation analysis between markets is termed as Inter market analysis. It comprises with Commodities, Forex, Bonds, and Stocks. Regardless of time, these markets react with each other during trading locally as well as globally which predict the price of certain securities or commodities.

Basic postulates about inter market relationship

1. Market are inter connected with each other nationally as well as internationally.
2. No market is isolated.
3. One market impact to rest of the market.
4. Commodities, Forex, Bond and Stock are categorized as major market.

While analysis of commodity, Inter market Trader also analyses the forex i.e. how currencies are performing, Bond Market for rate of interest, Stock market for impact of flow of money in capital market and impact of worldwide market trend.

These three currencies Australian Dollar (AUD), Canadian Dollar (CAD), New Zealand Dollar (NZD) can be considered as major commodity price driver which move with the rate of commodity price in positive correlation. For example, AUD is positively correlated with Gold and vice-versa. Australia is one of the world's largest gold exporters that is why Australian Dollar is strongly related to gold whereas United Kingdom is one of the biggest importers of gold for both ornamental as well as investment purposes. This gives a strong positive reason to link GBP (£) to gold price. As we know there are several gold mines in Canada because of this, (CAD) Canadian Dollar is positively related to gold. Japanese Yen (¥) entails positive relation with gold as gold is



thought to be a hedging instrument for portfolio risk mitigation. The South African gold's output throw in recent years due to numerous strikes in the mining production. Hence, any changes in the extraction of gold ores in South Africa will impact to South African Rand.

In today's era, investors are highly responsive to global market, furthermore wherever opportunity comes, they become ready to invest. Bond can be bought by foreign investor, then he/she must buy their currency first to invest into concerned Bond which gives pressure to demand of that currency and ultimately, it affects commodity price. For example, U.S. government Bond can

be purchased by Japanese investor then this investor has to buy USD (\$) first to invest into U.S. government Bond and this pushes the demand of USD (\$) which leads eventually to increase the values of USD (\$) and this increased value of USD (\$) decreases the price of Gold in most of time.

In the same way, Stocks of one country can be bought by foreign investor and inward flow of money leads to gaining power to native currency and finally affects commodity price again.

"In common man language, Bond market or Stock market affects Forex market and FX-market affects Commodity market." hence it is always advisable that investor must keep eye over all the market to get good result in commodity trading.



Vikash Agrawal
Managing Director
Tills Investment Pvt.Ltd.
Jhoche-23, Kathmandu

Economy & Constitution

Historically, a rare election of the second constitution assembly has formed the second assembly and its newly elected members have sworn their oaths before Surya Bahadur Thapa who enjoyed the chairmanship of assembly after having the confirmation of being the eldest member of assembly required for conducting its first meeting. Since its first meeting, the demand of dissolution of the constituent assembly has been raised by CPN-Maoist led 33 party's front, claiming they were forcefully set outside from the election even though they were the major stakeholders of the constituent assembly.

Constitutionally Nepal has been declared as Federal Republican state but oppositions have been seen in constituent assembly opposing Federal Republican State. Though composition of assembly still favors pro Federal Republican forces that only lifts the confidence of promulgating constitution on due time otherwise no one expecting that assembly will produce a strong constitution for the country.

On the other hand all expectations are seen saying to pave away that leads sustainable and durable growth earning economy.

Technology based economy has been galloping and swallowing employments in order to produce strong Gross Domestic Production(GDP) and enhance a way of benefiting more profits for the richest of the world as recently Oxfam has mentioned in its report recently released ahead of World Economic Forum. The report of Oxfam is not to be considered only for the leaders of powerful countries and emerging countries but also for the least developing countries like Nepal that are to stand against poverty in the 21st century .

For the leaders of constituent assembly also such reports are important because they are to prepare economic policy sustainable and durable for at least 50 years or more to come. Indeed not only Nepal, no country can exist without development of technology but country

like Nepal must adjust the gaps between the different sectors and segments of economy as per its objective existence. At a time all potentialities of economy should not be exploited for the betterment of economic growth. Nepal has adopted two new markets behavior: stock markets and future markets. Between the two markets, practice of future markets is newer than stock markets in Nepal.

Naturally, the regulations and regulatory agencies are also newer than other countries of the world. In India recently the discussion of merger of regulatory bodies of the two markets has begun. Indian experiences shall be better than other markets because Indo-Nepal societies have been sharing common culture and nature of behaviors. Nature of these two markets mainly depends on regular supply of electric current updating technology based data and information for operating market based businesses. It all depends on regular supply of electric current but Nepal has been facing the scarcity of electricity although the potentiality of production of electricity is high in the country. Hydro-power projects have been lagging behind the supply of electricity. Government officials have widely criticized and political leaders have been blamed of ignoring people's interest instead of falling in the rubbish of corruption. Hydro power projects should be integrated with irrigation receiving maximum utility of such projects. Policy makers should be alert granting permission for hydro power projects and monitoring over given permissions. Without power supply Nepal can't change its fate of poverty. The economic policy as whole depends on strong constitution but imperatives should be fulfilled by the governments. Many say that extreme scarcity of electricity can be moderated by requesting India. Possibly what extent of electricity can be borrowed from India that much should be brought immediately, but the delay of government officials has been seen in this regard. According to Madheshvani Weekly, 10 January, the government officials had delayed forwarding procedure required of



additional supply of electricity from India. For the additional supply of current there would be procedure made for the change of conductors in Kushaha (Nepal) – Kataiya (India) 132 KV Cross-Border Transmission line was one of the medium term measures to improve power situation in Nepal identified by an India- Nepal Joint Team of Technical experts in November 2011. In July 2013 Nepal Electricity Authority (NEA) had requested Government of India's consent to re-conduct the Indian portion of transmission line also through a Nepalese contractor.

But the procedural documents were not submitted to the channels of Indian government on time according to the Embassy of India. In this concern India has clarified by issuing press release saying that the conductors and its accessories which would be installed and retained in India and also the tools and equipment which would be temporarily imported for execution of work are of third country origin. The release read further 'Article III of the Agreement of Co-operation to Control of Unauthorized Trade between Nepal and India prohibits re-exports of third country goods without manufacturing activity from one country to another. NEA has been informed that the Embassy has also separately taken up this matter with relevant Indian Ministries for a one-time waiver.

NEA has the option to expedite the contract by complying with existing legal requirements in India. In that case, there would have been no delay in the project.

Government of India has taken concrete steps to reduce load shedding in Nepal by supplying maximum possible electricity on the existing transmission lines and by helping to augment cross border grid connectivity to increase this quantum up to 250 MWs. ' Issue of supplying electricity is an imperative task for the government. This shows negligence of authority performed by official. Such activities should be taken seriously for the economy.

What are the imperatives and potentialities of exploitation of resources should be prioritizing first. Infrastructure sectors should be given priority. Policy makers and law makers should take care of such behaviors preserving national sovereignty.

Major issues of constituent assembly are the distribution of natural resources and its exploitation. All stake holders should pave the way of economic growth filling the gap between have and have-nots.



Dharmendra Karna
Central Member
Federation of Nepal
Journalist (FNJ)