

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: Silver

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From the CEO's Desk



I would gladly like to take this opportunity to share to all the stakeholders of the Nepali financial market about the launch of our new tradable contract of the physically deliverable Silver, the sole purpose of which is to increase the outreach of silver

to all level of the consumers at a fair price. It gives immense pleasure to observe the positive feedback about the new product from the overall commodity market.

Continuing the series of good news, the budget of the country, popularly known as the fiscal policy, has significantly addressed the regulation issue of the Nepali commodity market. The budget has announced the regulation of the commodity exchanges under the supervisory authority, Securities Board of Nepal (SEBON). To add to the endeavor from our side, we have been carrying out series of trainings to educate the people about the commodities market. Several discussion and interaction program are carried out to address and execute the needs of the local market conditions.

It is true that it makes a lot of difference when something is done in a group and not individually. Activities carried out with a balanced and encouraged state of mind will surely help create a conducive environment in the Nepali Commodity Market. Here, I would like to appreciate the significant contribution of all the associates of the exchange – Clearing Member, Brokers and Clients for supporting us in these innovative steps to this market growing. We are aware of the fact that the coming days would be more challenging for us, complying with the set of standards that we and the Century Commercial Bank Limited (CCBL) have created for ourselves to deliver the best to our customers. We are all prepared and ready to take on the challenge. We will take on this challenge and as a matter of fact, MEX Nepal will soon come up with the local products which will further boost the confidence of our clients in the niche market.

To conclude, I would only like to mention that MEX Nepal would not leave a stone unturned in doing the best to provide the market with new products and latest variety of contracts which will justify that the Commodity Market has surely to move ahead and MEX Nepal will surely lead the way with diligence and innovation. MEX Nepal is always working hard to promulgate new services for the market.

- Jitesh Surendran

Trading Psychology

The mental state of affairs of a trader and his response to market during trading is termed as Trading Psychology. Trading Psychology comprises of many emotions such as fear, greed, nervousness, excitement et cetera. These all happen because of the differences between the expectations formed before trading and the actual outcome of it. Different types of emotions can be seen when money is involved in trading. Fear and Greed are two major emotions

it might be risky. Precisely, fear is an emotion that is necessary for a trader, but when this fear becomes immense, trader can be prevented from doing trade that might be essential and right. **Greed:** Greed is simply an excessive aspiration to make additional profit by winning any trade even if this additional profit might be unrealistic too. Investor waits long until last tick to make more and more profit; although some times this greed may

Phenomenon of changing emotion with change of market condition is a natural reaction. But on the other hand, a trader should learn to quantify threats as well as profitability for safe and smooth trading. Traders enter into market with optimism. If decision goes in their favor, it makes them excited or thrilled. But if the market goes the opposite way, it drags them into anxiety, fear and panic. Traders may come into such mind traps that possibly will lead to misjudgment and loss. Hence a good trader must identify, understand and neutralize them before ruining their trade.

Successful investors manage their emotions in order to build and retain confidence in the circumstances of uncertainty. It is always advisable to re-evaluate investment tactics and allow flexibility to predetermine point of price, and remain normal while making decisions to modify the plan of action. Market in motion will obviously create market emotion but to administer it skillfully, is a good trading psychology.



that interfere in trading frequently.

Fear: Fear is a psychological reaction to threat of losing money or to prediction of accumulating loss. It prevents us from trading that we think

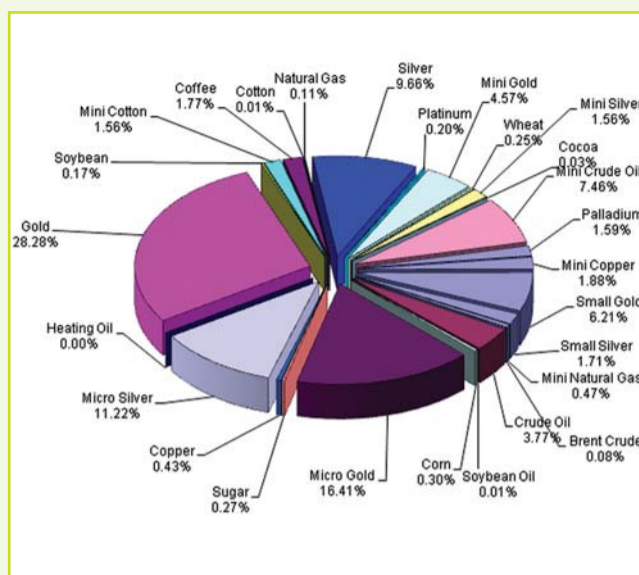
ruin even their profit margin and lead to a loss position. This psychological trait is not very easy to eliminate however it is manageable if the trader follows a disciplined strategy.



Lakshman Pandit
Manager
Business Development
Department
MEX Nepal

Market Capitalization - Futures Contracts

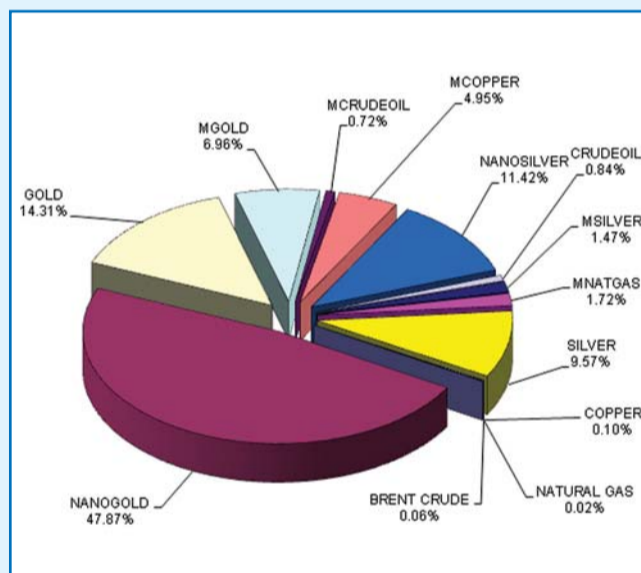
From April 2014 - June 2014 (in%)



Market Capitalization of all the future contracts listed in the MEX terminal. Gold has the maximum capitalization followed by Micro Gold & Micro Silver.

Market Capitalization - Spot Contracts

From April 2014 - June 2014 (in%)



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

Know Your Commodities

Silver

Introduction

Silver (Ag) with an atomic weight of 47 is a precious metal due to its rarity and has got prized possessions. It is a white, soft, lustrous transition metal with noble characteristics resisting the corrosion and oxidation although not as much as gold. Silver is considered as the best thermal and electrical conductor among all the metals. It is highly malleable and ductile which crafts it as one of the preferences for numerous industrial applications. Silver occupies the middle ground position between industrial metals like copper and investment vehicles like gold. The constituent uses of silver are industrial (46%), investment (27%), jewelry and silverware (20%) and photography (7%). Silver is often considered as the “poor man’s gold” as it is much cheaper than other precious metals and is available to the people with low income bases. Though investors find it less attractive for investment in comparison with gold, silver has instantaneously advanced its price for the past 10 years. Its unique properties make it ideal for thousands of applicants used in everyday life. The top four producers in the year 2012 were Mexico (162.2 million of ounces), China (117 million of ounces), Peru (111.3 million of ounces) and Australia (56.9 million of ounces). While looking at the consumption side, the largest consumer of silver is the United States followed by India, Japan, and Italy.

Producers	Consumers
Mexico (162.2 million ounce)	USA
China (117 million ounce)	India
Peru (111.3 million ounce)	Japan
Australia (56.9 million ounce)	Italy

Fundamental Facts

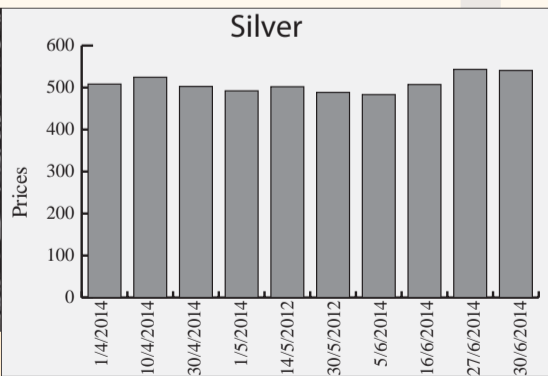
- The major producers of silver are Mexico, China, Peru, Australia and Chile. Any news regarding the production patterns from these countries affects the prices of silver.
- United States, India, Japan and Italy are the most silver consuming nations in the world. The demand patterns from these countries are likely to affect the prices of silver.
- US Dollar and Euro are the major currencies affecting the prices of silver.
- Industry, decorative uses, photography and jewelry accounts for 95% of annual silver consumptions.
- Global silver mine production grew last year, by 4%, rising to a new record of 787.0 Moz (24,478 t) in 2012. The by-product output from the lead/zinc sector provided much of the growth, up by 9%, with strong growth in China, Mexico and India.
- Primary silver total cash costs rose by 9%, to \$8.88/oz, as credits from base metal by-product revenues fell, coupled with lower grades and higher input cost inflation.
- The de-hedging of silver contracts reduced by 43%, total fabrication dropped by 6.6% consisting of industrial fabrication and jewelry fabrication, implied net investment surged by 21%.
- Jewelry fabrication remained broadly flat as robust demand in India and China offset losses in the developed world.
- Coins & medals fabrication eased but remained elevated by historical standards.
- Producers’ hedging activities switched to the demand side.



SILVER FUTURES - CONTRACT SPECIFICATIONS	
Name	Silver
Symbol	SIL
Contract Size	30,000
Unit	Grams
Price Quoted	NPR / 10 Grams
Trading Hours	Session1 00:00-02:45 Session2 03:45-00:00
Quality	Refined Silver, .999 finess
Contract Months	March, May, July, September & December

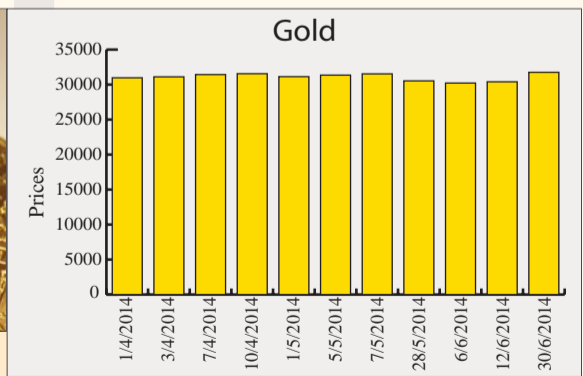
DELIVERABLE SILVER - CONTRACT SPECIFICATIONS	
Name	Delivery Silver
Symbol	DSILVER
Contract Size	20,000 & 1,000
Unit	Grams
Price Quoted	NPR / 10 Grams
Validity	T + 15 days (T stands for Trade day, and 15 consecutive days)
Storage Cost	Applicable if physical delivery is not taken after full payment; till the customer takes the delivery. Charges as prescribed by Bank.
Initial Margin	15% of Contract Value
Delivery Center	Century Commercial Bank (All branches inside Kathmandu Valley, Biratnagar, Janakpur, Pokhara, Birgunj & Butwal) or any other branches specified by Bank.
Delivery Logic	Compulsory
Trading Hours	11:00-16:00 (Monday-Thursday) 11:00-13:00 (Friday)
Quality	Refined Silver, .999 finess

Major Market Movers for Silver & Gold(1st April-30th June 2014)



Note:

Date	News
1/4/2014	Opening Price as of 1st April 2014
10/4/2014	Physical Demand from China
30/4/2014	Wait for the Fed decision on the stimulus
1/5/2014	Easing of tensions in the Ukraine
14/5/2012	Optimism in the market
30/5/2012	Assumption of faster growth in USA
5/6/2014	Continuation of hedging the risks
16/6/2014	Speculations of the decreased inventory
27/6/2014	Increase in Consumer Confidence Index
30/6/2014	Closing Price as of 30 June 2014



Note:

Date	News
1/4/2014	Opening Price as of 1st April 2014
3/4/2014	Encouraging US employment market
7/4/2014	Focus on ECB monetary decision
10/4/2014	Demand from China became quieter than expected
1/5/2014	Imbroglio created due to tensions in Ukraine
5/5/2014	Wait and Watch among the market participants
7/5/2014	ECB policies supported the Price
28/5/2014	Demand pressure slashed
6/6/2014	Negotiated Geo-political tensions between Iraq and USA
12/6/2014	Conclusions of Fed Policy Meeting
30/6/2014	Closing Price as of 30 June 2014



Delegates from Bhutan

Delegates from Bhutan in MEX!

An entourage from Bhutan, comprising a panel of 4, visited Mercantile Exchange Nepal Limited on **7th April, 2014** to comprehend the workings of a commodity exchange. The purpose of the visit was to understand the activities of a commodity market and the consequent benefits it gains as a whole. The program included various presentations, which furnished details relating to the various aspects of the commodity exchange including the fundamentals of the market, mechanism and the detailed outline of the warehouse mechanism. There were comprehensive discussion sessions initiated by the CEO of MEX Nepal with conversations enveloping the intricacies relating to the various aspects of the commodity market. MEX Nepal is honored and privileged to have such eminent personalities of the financial market of Bhutan and hopes that the visit was fruitful and beneficial for all concerned!



SPACE - V.S. Niketan College

SPACE: A MEX Initiative at VS Niketan College!

SPACE (Strategic Participation in Commodities Education) is an educative program with the main objective of arming the students of tomorrow with the knowledge of the commodity market. The training was held at VS Niketan College, Kathmandu, from **14th-16th May 2014**. The college students, currently pursuing a BBA degree, undertook an interactive training on the basics of the commodity market, fundamental analysis, technical analysis and the trading terminal during the course of the training period. On the final day of the training, the students were placed in various groups and asked to study the different cases relating to the fundamentals of the corresponding commodities. The groups were then asked to present the findings and forecast the prices of the corresponding commodities in the ensuing future. All the participants were given certificates of participation and the winning group was felicitated with medals.



Press Conference

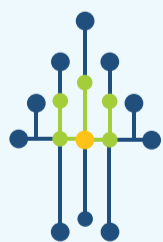
On the occasion of Launch of physical delivery product – DSILVER a first of its kind in Nepal, MEX Nepal organized a Press conference at the premises of Indreni Foodland on **5th of June, 2014**. The event was organized to confer in-depth knowledge of the mechanism of DSILVER -the latest presentation of MEX Nepal. MEX Nepal employees gave a presentation “Mechanism for Physical Delivery of Silver” on the program that was attended by various media houses along with authorities of the exchange and Century Commercial Bank Limited.

New Version of AX1 Trader

With continuous efforts of enhancing our Trading platform, on **Sunday, 1st June, 2014** a new version of AX1 Trader has been released with added features. Some of the features that are added in the new version are Back Date Search in Executed Orders, Requirements for Delivery Silver Implementations, Nepali language, Updates in bulk trader window (Listing of Quantity), Bug Fixes and Improvements. The new version is **AX1 1.0.1.122**.

DSILVER1KG - Released in Demo Trading Console

In an endeavor to serve every corner of the market of physical delivery of Silver MEX Nepal released a new contract “**DSILVER1KG**” in demo trading console on **17th June, 2014**. Earlier, MEX Nepal launched its first delivery product DSILVER in 20 KG contract size. In view of the market demand for smaller contract in physical delivery silver, **DSILVER1KG** was launched in the Demo Trading Console for practice purpose of the Clients.



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सेन्चुरी कमर्सियल बैंक लिमिटेड
CENTURY
COMMERCIAL BANK LIMITED
(नेपाल राष्ट्र बैंकबाट 'क' वर्गको इजाजत पत्र प्राप्त संस्था)

MEX and Century Bank Signed Agreement for the Silver Delivery and Designated Bank

“Mercantile Exchange Nepal limited (MEX Nepal)” and “Century Commercial Bank Limited (CCBL)” joined hands for their partnership for designated banking partner and physical delivery of silver from **2nd June, 2014**. The agreement between MEX and CCBL was signed by Mr. Jitesh Surendran, CEO of MEX Nepal and Mr. Anuj M Timilsina, Officiating CEO of CCBL in the premises of CCBL.

Retarding Chinese Economy & its Global Implications!

“China’s economy is slowing down” a topic which is most discussed nowadays within the global financial circles. For those who were jealous of the rapid development of China since 1980, their domination in world trade and rising of a communist country next to U.S., this news brought cheers. Discussion revolves mainly around the implication of contraction of the world’s second largest economy on the global economy. But as in any discussion, there are people who say that this slowing will badly affect the world economy and those optimists who see this as an opportunity to be benefitted from. Recent negative economic data out from China combined with country’s first bond default bring back concerns about the state of Chinese economy and the risk of credit bubble that looms in the market. One thing is sure if this reduction in pace is a reality; it will send its shock tremors around the globe.

China government, after overseeing the fastest growing economy in human history, is now preparing itself to manage this inevitable event. But the reforms whatever they have introduced till now are yet to deliver. International Monetary Fund recently revised down the growth prospects of the China that too without a bounce back, assert this slow down. As Chinese economic model is lying mainly over the heavy investments in infrastructure building, production sector and exports, a credit collapse, resource wastage and faltering global partnerships will have a monumental long term effect. As in the current scenario, China plays very significant role in the shaping of many economies, hence its recent borrowing policies, slowing consumer demand and increasing unemployment rate will expose those countries to vulnerability.

Post 2008-Crisis

China’s GDP growth was extraordinarily high touching 15 percent before the 2008 crisis level but

in the last quarter it showed only around 7.5 percent growth.

In order to tackle contingencies in net exports resulted from the 2008 crisis; Chinese government immediately came with a monetary stimulus. This actually changed to a lending boom which developed aggressively to an investment boom. Because of these measures, China somehow manages to slip from the claws of 2008 crisis. But now the export sector is really showing signs of bleeding with a rate of 3.1 percent year on year in June. By shadow banking, lending to high risk borrowers, total credit in the Chinese economy is now 200 percent points to GDP.

Global Implications

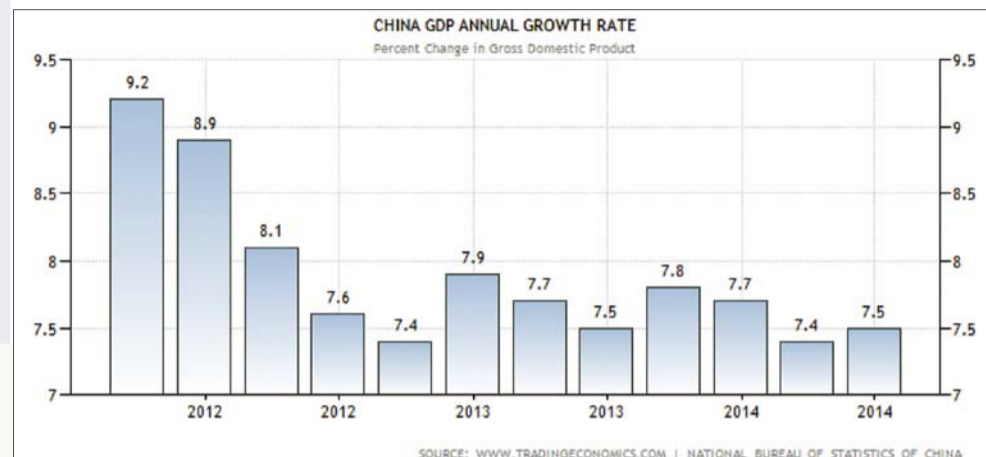
Last five years, China accounts for half of worldwide growth. So any decline in the pace of biggest consumer of raw materials, will also decelerates the pace of other countries’ economies. Thus all who are exporting and importing to and from china will be swept away by tsunami raised by the plunging of Chinese economy. Over the past decade, majority of copper, iron ore and steel was consumed by China thus driving prices of these commodities to record highs. Thus with a low demand, the first set of economies that will get affected are those countries who are supplying these commodities to China.

China, making 10 percent of its GDP, is the biggest trading partner of Australia, a commodity rich country. As 10 percent of nation’s job market and 20 percent of national output is in the resource industry, less thirsty china will force them to unleash contingency plans to keeps their economy floating for next decade. China is also the largest trading partner of South Africa. Diamonds, platinum, gold, coal and iron ore which together account for 41 percent of South Africa’s yearly exports to China.

Another major economy group that will feel the heat of this slowdown is ASEAN, with whom the china’s trade has grown 30 fold in the last 15 years. Indonesia with their commodities and Thailand with their rubber and computer parts will be most affected. China is taking quarter of the total overseas exports from South Korea, so any direction to cut these will tamper the country’s economy. According to experts, if Chinese economy slips in this way, a commodity glut will be created thereby forcing a

economy will surely affect the Euro zone’s effort to aground to a pre 2008 crisis level. Until and unless there is a major crash landing, U.S. economy will be left out with slight scratches. Even this slowdown bring down the demand of sophisticated materials that had been exported from the U.S., as it only amounts to a decline of \$6 billion, it may not affect a large economy like U.S.

According to analysts, two reasons can trigger this crash landing. One is the tumbling of exports



30 to 40 percent decline in the price of base metals and 30 percent decline in the prices of Brent crude. But many commodity importing countries such as Philippines, India and Turkey are eagerly waiting and started planning to take advantage of this price fall.

Euro zone will also feel the tremble of the shock waves generated by this slow down. Exports to china are rapidly on its downtrend in Germany. Many companies from various industries like car making, electronics and software cut their yearly forecast for china following this downtrend. Being the biggest economy in the Euro zone, contraction of German

and loss of migrant worker job and other may be insufficient funding from government. Either way an overinflated credit bubble which can burst anytime is hanging over Chinese economy and thereby over world economy like a “Damocles Sword”.



✉ Nijesh Ramraj

U.S Federal Reserve under the Leadership of Janet L. Yellen

“It depends what the circumstances are.”

- Janet Yellen on Aug 13, 2014

The new chairman of Federal Reserve, Janet Yellen served as the Vice Chairperson of the Federal Reserve Board for four years until she was appointed as the first Female chairperson of the Federal Reserve Board of Governors in 2014.

Janet Yellen Life:

Born in August 13, 1946 A.D in Brooklyn, New York, Janet Louise Yellen graduated from Brown University in 1967. While in 1971, she pursued her Ph.D. from Yale University. After a teaching profession in Harvard University, she served the Federal Reserve from 1977 to 1978. Then she went to University of California to be a professor. Filled with perseverance, Yellen worked on the White House Council of Economic Advisers from 1997 to 1999. Her career took a further boost when she was appointed the president and CEO of the Federal Reserve Bank of San Francisco. Then her path in Federal Reserve Board of Governors started from 2010 as a Vice President. Finally in 2014, President Barack Obama appointed her as the Chairperson of the Federal Reserve.

She played many roles in the Federal Reserve, becoming a leading figure in U.S monetary policy. She held the determination to get things done especially to reduce unemployment even if it cost a bit higher inflation to achieve it. She outstood with her willingness more than the other economists.

This is the very first time in the history of the Federal Reserve that a woman chairperson is appointed. She is also the first Democrat to hold the post in almost three decades. Even the president Obama himself admired her good judgment and

expressed his confidence in her ability to get things done. In her career, Yellen has written many papers and publications, some even co-authored by her husband, a Noble Prize winning economist and UC Berkeley professor George Akerlof. For her contribution in the field of economics she has also received many honors.

Federal Reserve

The Fed is composed of the Board of Governors appointed by the president, the Federal Open Market Committee (FOMC), twelve major regional Fed banks, many private U.S member banks and various advisory councils. The committee of FOMC is responsible for developing monetary policy. Under the rule of U.S congress, the three key objectives for monetary policy in the Federal Reserve Act are improving job market, stable prices and moderate long term interest rates. With years, the duties of Fed is increasing, that includes, implementing the

nation’s monetary policy, regulating and supervising financial institutions, maintaining stability in the financial system and making financial services available to depository institutions, the U.S government and other foreign official institutions.

Janet L. Yellen as a Federal Reserve Chairperson:

Janet L. Yellen is strong footed in her path; her main focus is in the course of reducing unemployment. After narrowing down of U.S economy in the first quarter, Yellen led Fed’s rate

setting committee stuck in a single course. After which the U.S economy has rebound recently. Ms. Yellen knows how to put her views into practice.

For decades, the main concern of the monetary policy was to control Inflation and detect signs of recessions by adjusting the short term interest rate. But now, the major challenge for the monetary policy is futile growth. Janet Yellen has the responsibility to navigate and instigate financial markets in order to convince that the Fed knows

Yellen, who also runs the Federal Open Market Committee, is working on to rejuvenate the U.S economy without having to trigger the inflation and asset bubbles. She strives to achieve the sustained growth with easier credit, employment opportunities, elevating stock prices, improving global economy and Fed’s prepared monetary policies. Where the inflation is concerned, it is below the Fed target and increase in the level sometimes does not put threat to the set level is what she considers. Rather she would prefer the increase in wage inflation which has chances of increasing the consumer expenditure. With increase in labour pay, the economy has better prospect of growing. This concept of her has influenced the Fed towards a new direction of stringent labour market.

The approach of current Fed Chairperson is really seemed to be working. U.S economy is gradually progressing and the U.S currency is strengthening against other currencies like Euro, INR, Yen, and Won etc. Until the Fed

Chairperson’s view on Labour market remains the same, we can only presume where the market will make a move.



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Bachelors in Business Administration
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what it is doing since, Federal Reserve has to rely on controversial and less tested tools, such as bond buying. Fed Chairperson Janet L. Yellen has pulled the strings of unconventional policies, from bond buying to ‘forward guidance’ even when she served as a vice chairperson of the Fed. Her approach follows the footsteps much like Mr. Ben Bernanke the predecessor Chairman of Fed which is technocratic and thorough command of the data. Her approach is rather a safe approach that might help to reduce further the market volatility.