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Invest - Trade - Earn
AN ISO 9001:2008 CERTIFIED EXCHANGE

MEX EXPRESS

A Smart Solution for Online Trading

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From the CEO's Desk



I would like to take this opportunity to thank all our associates and stakeholders of the Nepali financial market, especially commodity market to have supported us even in the disastrous situation of earthquakes that hit our nation

and the multiple aftershocks for months after as well. The support and dedication shown by our clients, brokers and market makers of MEX Nepal is a valued treasure for us and also a great encouragement and motivation for the industry. The future days would definitely be more challenging, but with this support between us, we are hopeful to convert every challenge into humble opportunities.

MEX Nepal has always tried to serve the community through sincere efforts. It is an honour to have been of help to House for Rescue of Afflicted Children, Rasuwa Langtang Liring Anath Sanstha, Rejoice and Salvation in Trinity Services and Nishaya Sewa Sadan (Centre for Helpless). Providing assistance to the charitable organizations in the wake of the earthquake certainly helped bring a ray of hope and a smile in the faces of the children as well as for us.

At these times of difficulty also, we are glad we could publish our annual publication MEX Year book. In our efforts to keep with the expectations of our brokers and customers it is a glad opportunity to provide the market with the best services. We are also happy to have launched one of its kind services in the commodity market of Nepal - the ALGO. To bring in the world class technology has been an important objective of MEX and to support this, ALGO is inevitably a milestone to facilitate the customers with programmable trading. Commodity market will surely move ahead and MEX Nepal will surely lead the way with advanced technology and innovation.

To conclude, we should always remember that this is the time for us to gather our strengths and build the nation together in every possible way we can. We will always try to make sure that we equally contribute to the society and the environment while fulfilling our day to day responsibilities.

- Jitesh Surendran

No Hike in Interest Rate but Hype in Market

This was the year's 5th among 8 times, FOMC members voted for interest rate echelon in a two day meeting and declared that there was no change in federal fund rate but just after data was published on NST 23:45, Gold climbed to a day high of \$1101.80 and recorded volume of 322313 in COMEX. However the whole day low was \$1090.30. Basically, the gold price actually went up by 1.40 % because of high frequency of buyers than the weakness of USD.

Now investors are keeping their eye over September 2015 FOMC members meeting. But their rate hike depends inflation and employment factors. As current inflation is 0.1% and expected rate is 2%, and also as per previous employment claims & housing sector, it seems that the US economy is doing better than that in the 1st quarter. FOMC has given hint to hike rate in coming days saying that labor market is getting closer to their objective. But there are certain reasons to be understood behind

this possible decision of hiking rate.

Many business sectors are not doing well including Energy sector. As per current data, growth rate is not satisfactory enough and FOMC also has said that Banks have capitalized less i.e, 2.28 percent as compared to previous time 2.29 percent. To hike interest rate, both labor markets should be improved as well as inflation must be around 2%, and here, labor market has improved but inflation is still 0.1% and target is 2% which seems nearly not possible in couple of months. We don't think US will increase interest rate without targeted inflation, moreover Fed will also have to take care of bond market before taking any decision about interest rate. Other than this, house sales, stock market, consumer spending, borrowing and business profit will be lower if rate is hiked.

Gold investors will not only watch the coming employment data carefully but they will also focus on realistic economic development and the strength data. Investors should care about hype of bullion market as price might take a hiccup and return to obvious level. Gold market will have dependency upon the US economy development and financial market activities too as we have observed the lowest level of \$1071.94 in the month of July. It might make a new low level in coming days as per the economic activity and high frequency trading.



Lakshman Pandit
Manager
Business Development
MEX Nepal

Market Capitalization - Futures Contracts

From April 2015 - June 2015 (in%)

Contract	Capitalization (%)
Gold	21.39%
Micro Gold	20.49%
Mini Gold	5.20%
Crude Oil	4.15%
Mini Crude Oil	5.99%
Small Gold	9.59%
Small Silver	1.05%
Mini Silver	1.25%
Palladium	3.24%
Mini Copper	1.25%
Small Copper	1.25%
Crude Oil	4.15%
Brent Crude	4.54%
Soybean Oil	0.00%
Corn	0.12%
Sugar	0.28%
Copper	2.63%
Micro Silver	6.94%
Heating Oil	0.00%
Mini Cotton	0.90%
Soybean	0.16%
Coffee	3.09%
Cotton	0.09%
Natural Gas	0.27%
Silver	4.35%
Platinum	1.89%
Wheat	0.28%
Mini Silver	1.26%
Cocoa	0.14%

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

Market Capitalization - Spot Contracts

From April 2015 - June 2015 (in%)

Contract	Capitalization (%)
NANO GOLD	65.08%
MGOLD	6.54%
MCRUDEOIL	1.21%
MCOOPER	0.98%
NANOSILVER	21.57%
DSILVER 1KG	0.01%
CRUDEOIL	1.82%
MSILVER	0.37%
MINATGAS	0.59%
SILVER	0.00%
COPPER	0.16%
BRENT CRUDE	1.32%
DSILVER 20KG	0.01%
NATURAL GAS	0.53%

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 Mini Gold.

Know Your Commodities

Gold

Introduction

Gold is a shiny, malleable, soft, dense metal which is a chemical element with symbol Au. Gold is a remarkable, rare metal, with an unparalleled combination of chemical and physical properties. For thousands of years, it has been used as an ornament of kings, a currency and standard for global currencies, and more recently, in a wide range of electronic devices and medical applications. Gold has historically been an excellent hedge against inflation, because its price tends to rise when the cost of living increases. People see gold as a way to pass on and preserve their wealth from one generation to the next. It can be acquired and stored in the form of Jewellery, Bars, Coins and Gold Deposits. The purity of a gold bar can also be expressed as a decimal figure ranging from 0 to 1, known as the millesimal fineness, such as 0.995 and 0.999. The price of gold is determined on the open market, but a procedure known as the Gold Fixing in London, originating in 1919, provides a twice-daily benchmark figure to the industry. South Africa, the United States and Australia are the three largest gold producing countries while India is the world's largest gold consumer, followed by China.

Fundamental Facts

- Seventy-eight percent of the world's yearly supply of gold is used in jewelry, according to the AMNH. The rest goes to electronics and dental and medical uses.
- A total of eighty-eight thousand tons of gold have been extracted from the earth ever since. This means all the gold that has been dug up so far in history would, if melted, make a cube measuring approximately 25*25*25 meter.
- Two-thirds of the world's gold is

mined in South Africa, according to Lawrence Livermore National Laboratory.

- Because gold is soft, it is typically mixed with other metals, or alloys, to give it strength. Measured on the karat scale, pure gold is 24 karats.
- In 2012, the gold mine production increased by 12 MT to 2848 MT and the combined demand for bars & coins dropped from 1515 MT to 1256 MT.
- Gold demand of 3,756.1 tonnes in 2013 was worth US\$170.4bn. Consumers generated exceptional levels of demand, with jewellery at its highest since the onset of the financial crisis in 2008 and investment in small bars and coins hitting a record high.
- Central bank buying and selling can have a significant influence on gold prices. Central banks made healthy purchases of 368.6 tonnes, the fourth consecutive year of positive demand. The net result was a 15% decline in overall gold demand from 2012.

Some Interesting Facts

- The word "gold" comes from the Old English word "geolu," meaning yellow.
- Gold is extremely ductile. A single ounce of gold (about 28 grams) can be stretched into a gold thread 5 miles (8 kilometers) long.
- 24 karat gold is pure elemental gold. 18 karat gold is 75% pure gold. 14 karat gold is 58.5% pure gold, and 10 karat gold is 41.7% pure gold. The remaining portion of the metal usually is silver, but may consist of other metals or a combination of metals, such as platinum, copper, palladium, zinc,



nickel, iron, and cadmium.

- Very few chemicals can attack gold, so that's why it keeps its shine even when buried for 1000's of years.
- The melting point of gold is 2,063 degrees Fahrenheit.
- Scientists believe that gold can be found on Mars, Mercury, and Venus.

Gold @ MEX

- Gold has been trading initially in the futures platform and later on the spot contracts in the MEX platform.
- Gold is the Precious Metal available for trading in the MEX terminal at present with initial margin of Rs. 80,000 for 1000 Kilogram. It has 4 different Futures and Spot contracts.

Major Market Movers for Gold & Palladium (1st April-30th June 2015)

Note:

Date	News
4/1/2015	Opening price as of 1st April 2015
4/6/2015	Disappointing U.S. employment data
4/20/2015	Greece won't be forced out of the eurozone.
4/24/2015	Strength in global equities diverted interest from the precious metal
5/4/2015	Weak Chinese factory data and earlier dollar weakness
5/25/2015	Investor optimism in federal reserve rate hike
6/5/2015	The U.S. economy added 280,000 jobs in May
6/15/2015	Demand in the Asian market
6/30/2015	Closing price as of 31st March 2015

Gold

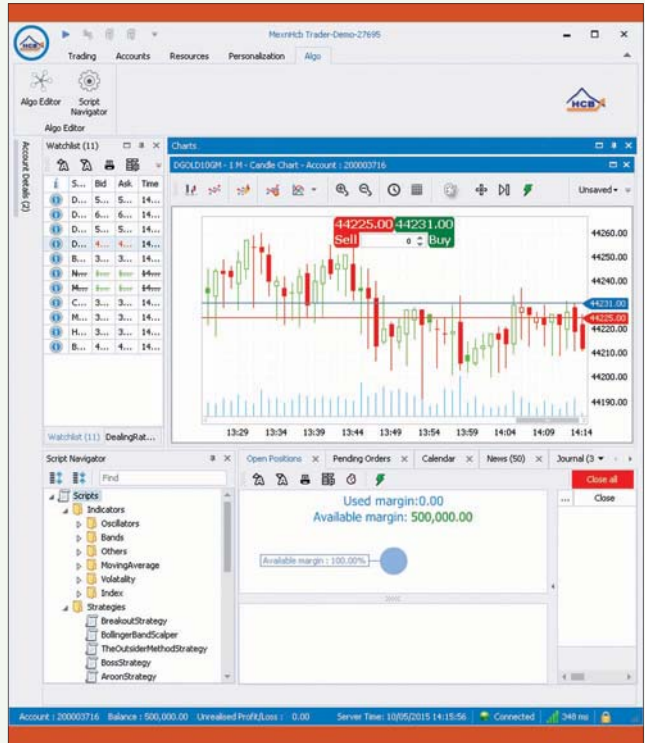
Note:

Date	News
4/1/2015	Opening price as of 1st April 2015
4/13/2015	The demand for precious metal increased
4/29/2015	China's imports of palladium fell
5/5/2015	Strong demand from Chinese industries
5/28/2015	Slow Chinese demand
6/1/2015	U.S. jobless claims at lowest since April 2000
6/9/2015	Lonmin aims to cut 3500 South African jobs
6/15/2015	Supply from South African mines climbs
6/28/2015	Closing price as of 28th June 2015

Palladium

MEX Launches New Version of AX1 Trader

MEX Nepal launched new and advanced version of AX1 Trader in live platform from 8th June, 2015. The latest version includes advanced features such as ALGO. ALGO [Algorithmic Trading] is one of the advanced features of this version which is based on your strategy by the use of computerized predetermined logic drawing inputs from market data. However, this carries a high level of risk, so traders need to do the back testing or practice in demo before implementing the same in live. Traders can develop their own strategies for Algo and request MEX [via broker] for programming the strategies. Online Deposit & Withdrawal facility is also available in this version.



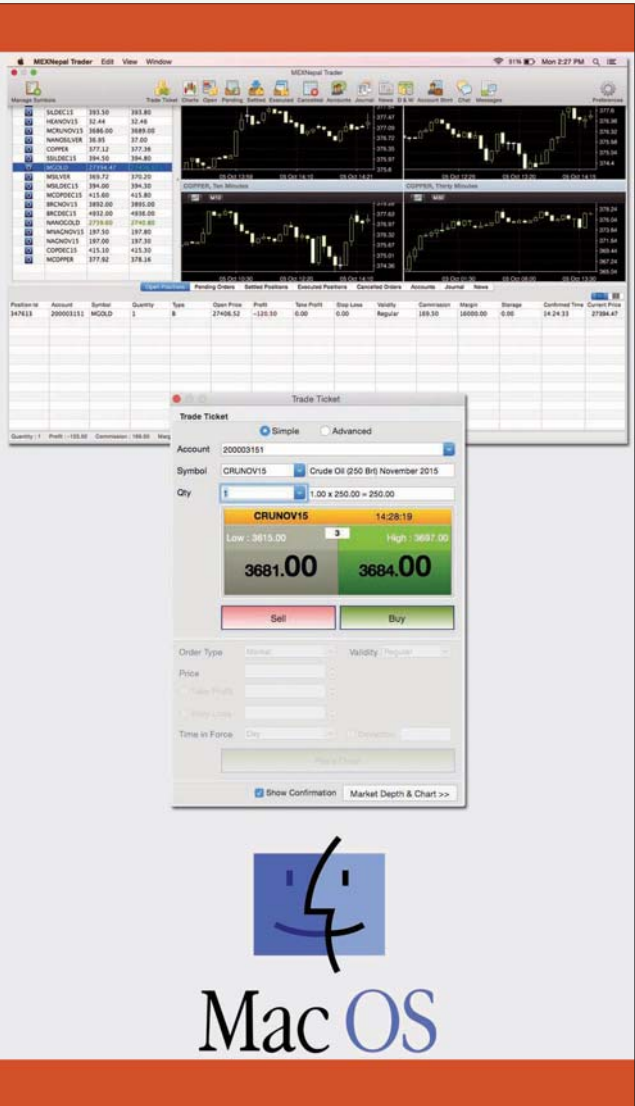
MEX Launches Year Book 2014

MEX launched the 5th edition of MEX Year Book i.e “YEAR BOOK 2014”. This annual publication was initiated in the year 2010 and it has been continuously published since then. Among all the publications of the exchange, the year book is highly regarded by all the clients, brokers and members of the exchange. The yearbook reviews the activities of the exchange as well as all the market activities. The almanac section of the yearbook provides great value information to the readers. It was released on 1st June, 2015.



MEX Launches a New Version of MAC Trader

On 28th May, 2015 a new version of MAC Trader was released for the users of MAC device.



MEX Provides Charity to Earthquake Hit Orphanages

MEX Nepal has always provided help and support to those in need. The major earthquake that hit the country had harsh effects specially to orphanages of the country. In an effort to raise the hopes shattered by the earthquake, MEX Nepal provided support and relief materials. Employees from MEX Nepal, including the CEO visited the orphanages to observe the damages caused by the earthquake and the subsequent tremors. MEX Nepal provided tarpaulin sheets to the children who were at the moment living in temporary shelters due to the damages caused by the earthquake. MEX Nepal is privileged and honored to provide assistance to the charitable organization in the wake of the earthquake and bring a ray of hope and a smile in the faces of the children.



MEX Nepal Provides Earthquake Relief Support to HORACI, on 15 May 2015.



RST Orphanage Nepal (Rejoice and Salvation in Trinity Services), on 21 May 2015.



MEX Nepal Provides Earthquake Relief Support to HORACI, on 15 May 2015.

Customers of the Crude Oil Market

Oil production is presently wide spread across the globe. Most of the oil used today is extracted within the OPEC area, consisting of countries in the Middle-east, North and West Africa. The majority of oil is extracted via traditional sources i.e., primarily oil wells on land. There are also some oil-rigs at sea, especially in the North Sea and Mexican Gulf. A very small part of the produced oil comes from alternative sources, such as oil sand. Alternative extraction methods are more expensive than traditional oil wells, but still they are profitable during high-price market conditions. Capital intensity of production is often very high, due to the need of advanced equipment and infrastructure to procure oil from large depths. Thus, the most risk exposed customers are the producers, wanting to lower capital risks. The incentives for decreasing risk are in principal the same as for producers on electricity markets. The similarities, however, diminish when it comes to supply and demand. Supply changes have by far fallen short of demand increments, which have caused prices to increase to levels higher than marginal cost of production. Even though the producers are the best beneficiaries, the market has been inverted.

Due to high volatility in oil prices combined with the on-going

discussions about peak oil, consumers' fuel budgets and choices of which vehicles or heating appliances to buy are largely affected. Oil production capacity is limited but demand is constantly increasing, creating increased prices. Due to the excess demand of oil, prices are higher than marginal cost of production for most producers. In a well-functioning market with perfect competition, prices are set equal to marginal cost of production. The large difference in this case is partly caused by the capital intense nature of production, which makes the supply regulation to demand very slow. Also, the price gap can be signaling scarcity of oil reserves, caused



by a higher demand than actual oil extraction capacity disregarded the technological capabilities. This creates large producer surpluses, whilst the consumer surplus which is getting smaller. Present price formation of oil products thus generates significant profit margins for most producers. As noted previously also, oil consumption has a strong relation to GDP development, resulting in higher demand when developing countries become industrialized. Substantial price increases and stable output volumes of oil provide signals that costumers have an inelastic demand for oil, as is also the case for electricity. Most energy products seem to have, at least in short term, inelastic demand. It is therefore a risk involved in being dependent of oil products, either economically or socially.

Source: U.S Energy Administration Department



Lalbabu Shah
Gahanagriha Investment Pvt. Ltd.

Commodity Market & its Challenges

In a simple language, a physical or virtual marketplace for buying, selling and trading raw or primary products is commodity market. In other words, commodity market is a reasonably interchangeable good or material, bought and sold freely as an article of commerce. Commodities include agricultural products, fuels, and metals and are traded in bulk on a commodity exchange or spot market. Commodities are hard assets ranging from wheat to gold to oil. Since there are so many, they are grouped in three major categories: agriculture, energy and metals. Agriculture commodity includes, such as sugar, cocoa, and coffee and Grains, such as wheat, soybeans, soybean oil, rice, oats and corn. The energy category includes crude oil, natural gas, and heating oil. Metals include mined commodities, such as gold, copper, silver and platinum. Commodities are traded by dealers on an open exchange. That means the prices change every day. This can be difficult for the consumer, who must face price variations in everyday products such as gasoline, gold and grains. The highest volume of trading occurs in oil, gold and agricultural products.

There are numerous ways to invest in commodities. An investor can purchase stock in corporations whose business relies on commodities prices, or purchase mutual funds, index funds or exchange-traded funds (ETFs) that have a focus on commodities-related companies. The most direct way of investing in commodities is by buying into a futures contract.

In business, commodities can be defined as any good or service that is bought and sold purely on price. These include the traded commodities, but can also include products that are not very differentiated from others based on brand, benefits or other distinguishing features. For example, Coca-Cola is a branded product that receives great loyalty, and a higher price, because of its perceived differentiation from other cola drinks. A low-cost store brand is more of a commodity, because it isn't much different from other store brands and is bought primarily because of its low price, not its taste.

Commodity Market in Nepal

Markets for futures trading were developed initially to help agricultural producers and consumers manage the price risks they faced during harvesting, marketing and processing food crops each year. Today, futures exist not only on agricultural products, but also in a wide array of financial, stock and forex markets.

In the 21st century, online commodity trading has become increasingly popular, and commodity brokers offer front-end interfaces to trade these electronic-based markets. A commodities broker may also continue to offer access to the traditional pit-traded, or open-outcry, markets that established the commodity exchanges. In Nepal, three commodities exchanges — Commodities & Metal Exchange Nepal Ltd (COMEN), Mercantile Exchange Nepal Ltd (MEX) and NDEX — are working to provide investment opportunities to around 2,000-3,000 people. The majority of transactions of community exchange are in gold and crude oil, products not produced in Nepal.

In Nepal, commodity market was introduced by Commodities Exchange Nepal Ltd (COMEN). COMEN have been providing trade services in agriculture goods. It will build warehouses to improve services. It also applied to Securities Board of Nepal (SEBON) on November 11, 2009 for starting a new stock exchange. Now with new vision and new technology Mercantile Exchange Nepal Ltd.

(MEX) has been established. MEX has also made immense contribution in raising awareness about and catalyzing implementation of policy reforms in the commodity sector. MEX is the first Exchange to take up the issue of differential treatment of speculative loss. It is also the first Exchange to enroll participation of high net-worth corporate securities members in commodity derivatives market.

Challenges for Commodity Market In Nepal

The Nepalese Commodity Market is very young. The investors haven't been able to analyze the situation properly. They are not smart enough to study the situation and take good judgments. There is no regulating body in the Nepalese commodity market. Most of the investors find the commodity market as some sort of gambling place where people gather together for gambling purpose and try to make out high returns with least investments. But it is very important that one must realize that there is a difference between gambling and speculation and the future markets.



Participants in physical markets use futures market for price discovery and price risk management. In fact, in the absence of futures market, they would be compelled to speculate on prices. Futures market helps them to avoid speculation by entering into hedge contracts. It is however extremely unlikely for every hedger to find a hedger counterparty with matching requirements. The hedgers intend to shift price risk, which they can only if there are participants willing to accept the risk. Speculators

are such participants who are willing to take risk of hedgers in the expectation of making profit. Speculators provide liquidity to the market; therefore, it is difficult to imagine a futures market functioning without speculators.

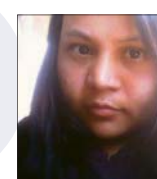
So there comes a question what is the difference between a speculator and a gambler. Speculators are not gamblers, since they do not create risk, but merely accept the risk, which already exists in the market. The speculators are the persons who try to assimilate all the possible price-sensitive information, on the basis of which they can expect to make profit. The speculators therefore contribute in improving the efficiency of price discovery function of the futures market.

In the Nepal's economy, there are various factors that are having a real negative impact on the overall performance of the Nepalese markets. The major challenges that this market is facing can be listed as:

- Lack of market awareness and education program regarding to commodity market.
- Government being not very supportive for the regulation of commodity market.
- Lack of sufficient penetration of internet in urban areas, computer literacy with minimum number of people, non-commercialized agro production sector, lower literacy rate and lack of knowledge of commodity market are the challenges in this market.
- Again, the absence of a proper act and regulation, lack of transparency among the commodities exchanges, is signaling that a delay in bringing them under a regulatory ambit will put large sums of money from investors in danger.

Competition from new technologies and managing long-term investment with the potential for extreme price volatility

All in all, the commodity market in Nepal does not have a long history and thus seems to be still underdeveloped. Government has prepared some concepts on the commodity market for risk minimizing for farmers but still the investors are motivated towards earning abnormal profits from speculation. Even though the focus is for agricultural risk management the overall utilization of the market is for speculation. People are utilizing the derivative market for speculating rather than risk hedging. Existing commodities exchanges and the people who take part in the market phenomena should be aware to keep the future of the derivatives market bright. The commodity market needs to focus on variety of commodities that can manage the risks of that particular commodity. The derivative market on the resources available locally can help develop the derivatives market as well the infrastructures making people as well as the country resourceful. The people should be aware of these markets and the role it can play in their economic elevation. It can bring the stability in the market condition of derivatives in Nepal. It is solely the effect of role that people can play to balance the derivatives economy. How fast and with what level of ease does the economy overcome the imbalance is what determines the future of the Nepalese Commodity Market.



Sunita Shrestha
Master in Business Administration
SAIM College