

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: Crude Oil

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From the MD's Desk



Dear Readers,

With this issue of MEX Express, we are entering our 4th year of operation. Time is valuable and value of time can be calculated with our capacity of addressing market

needs. Our services to market participants, technology, products, flexibility and capacity to drive market are valuable parameters to judge ourselves.

We have been urging for regulation for a long time but as the country is going through a transition period, there is delay in forming a proper regulation. As a result of this delay, our effort might seem lacking but a dedicated government team, working round the clock for the formulation of the regulation is testimonial of our dedicated efforts for regulation.

As always, we again urge the government authorities to bring in the necessary regulation for this sector at the earliest. Proper regulation of this sector will enable fair market competition, price discovery, benchmarking of price pattern of commodities. This will ensure participation of the production sector of the country in the market place, thus to maximize opportunities.

We hope that in 2012, we will be able to claim that we, as a commodity exchange, are under proper regulatory arrangement.

- Dipendra Kumar Khatiwada

A Day in the Life of a Trader: An Ode

When I was asked by the editorial board to pen down my precious thoughts for the upcoming issue of the MEX Express, I started pondering upon the prospective topics to write on. I carefully scrutinized each and every topic to the core and weighed the pros and cons for the valued readers. To blatantly put it-nothing excited me. After many trials and tribulations which tested my patience to the extreme, I finally decided to write on something which you, my readers, could relate to. Investors or clients are the core of any business and without this category of people, no exchange is functional. So the following story is an ode to our respective clients who have shed blood and tears in their respective lives by having sleepless nights wondering when their trade would see the profitable side of things amongst others. The following are just few anecdotes that have been incorporated into a story after a meticulous research on the lives of few traders which I was privileged to interview to derive the crux of the matter.

I woke up due to the buzz of the alarm at 3:30 am on a freezing Thursday morning in the bleak mid winter. I feel envious of the fact that other people who share the same roof are in their depths of sleep- a magnified glory which beckoned me to a siesta. But I refused the offer of my conscience and neglecting the comfort of the warm blankets, made myself a cup of coffee to eradicate the thought completely out of my mind. Having switched on the laptop, I logged into the system not knowing what the markets had in store for me. The clock struck 3:45-the trading session had begun.

Having undertaken immense training in Fundamental and Technical Analysis to facilitate my trades, I slowly but surely realized that the markets can get literally crazy when an event beyond our control begins to affect it. I began the trading day by preparing for the worst. The markets opened with reasonable movement as it gathered momentum when the dawn broke to signal the beginning of the day.

Someone had rightly quoted, 'Experience is your greatest teacher'. I had found out from my own experience that-more often than not, the Asian markets have little or no effect on the prices of commodities. But as I had also experienced time and time again-to leave nothing to chance, I watched the market movements with hawk-eyes, trying to derive any particular patterns which could give the requisite start for the trading session. Keeping an eye on the Bloomberg Channel for any significant giveaways, I continued this endeavor of grasping any opportunity.

The sun rays started to blaze through the window keeping me warm and comforted as opposed to the chill felt before the break of dawn. Suddenly, I am awakened from this euphoric feeling by the ring on my private



phone. The call is from another friend/investor who I have known since the last two years. After exchanging pleasantries, he informs me that the market is having a quiet day till this minute. But the European markets could open up a box full of surprises as the European leaders race against time to overturn the brewing debt turmoil in the Euro zone. I corroborated his observation by stating that until and unless the leaders do not find a common ground on this issue, the problem is far from being resolved. After I hung up the phone with my fellow investor, I dispersed for lunch with the thought that today could be a day of market drama.

The European markets opened with pessimistic reactions due to the chaotic situation that the region had underwent conflicted by the impending debt crisis. Suddenly, out of the blue, gold prices started to plunge. I quickly logged into the different websites to resolve this mysterious downswing. After conducting a research I concluded that the fall in the gold prices was due to the European leaders failing to reach an agreement on how to solve the debt crisis. A thought crossed my mind-Why is gold price falling in spite of the weakness in the Euro? Cross-Asset Liquidation -was the solution to my pragmatic question.

I thought to myself whether to initiate a short position in gold given the situation in Europe and the positive data forecasted from the largest economy, US later on as the sun sets in this part of the world. The precious metal was bound to face a collapse as the US Department of Labor was churning out a fall in the Unemployment Claims thereby strengthening the greenback and further decelerating the demand for gold as an alternative investment. My fundamentals were immensely strong. But what about the Technical Analysis?-since fusing the two would be ideal in initiating the short positions. Looking at the technical indicators especially RSI, Bollinger Bands, MACD amongst others, I found out that gold is in an oversold zone, signaling a probable fall anytime soon as sellers would overcome the buyers due to

the attainment of the so-called market top. Having received the green signal from both the Fundamental and Technical Analysis to initiate short positions in gold, I proceeded further in setting a stop-loss level if in case the markets go against my prediction. Having completed all the requisite research work, I initiated a short position in gold.

I waited with bated breaths, as the open positions slowly turned into profits. But my initial joy was short-lived by a worrying sign-What if the US data regarding the labor situation rose instead of the highly anticipated fall? Scores of worries enveloped my mind asking me questions including-Have I made the right decision? Should I have waited for the Unemployment Claims data just to be on the safer side? Many unanswered questions to be resolved in the next few hours!

As the clock ticked on towards 7:15 pm, my heart beat raced faster with the anxiety and the anticipation of a decision maker. The report was announced-'Unemployment Claims in the US decreases by 10000'. I heaved a huge sigh of relief. The greenback had strengthened once again thereby weakening the demand for the alternative investments including gold. As a result my profits shot up three to four folds as my happiness knew no bounds. The profits stabilized thereafter. After a few hours of wild celebration within my mind, I settled the position realizing a profit of endless possibilities.

Having overcome the odds of withstanding the pressures of the mind, I called it a day and went to the warm comforts of the bed with a smile on my face and joy in my heart. But a realization dawns on me-tomorrow is going to be another brand new day again!



Vivek Risal
Assistant Manager
Research & Development
Department
MEX Nepal

Most Popular Blog

Gold Enhances: Investors Breathe a Huge Sigh of Relief

The value of gold climbed to their highest levels in seven weeks on Monday, attaining \$1771.80 per ounce-a 3.1% above where it began this month, amidst confusion over whether Italy's Prime Minister had resigned or not. Silver prices also hit a high of \$34.88 per ounce-0.3% below last week's high. Analysts have forecasted a volatile market for precious metals in the wake of uncertain events on both sides of the Atlantic.

The European stock markets rallied on in the latter half of the day following a weaker start at the inception. Commodities markets also rallied higher during the session. Major government bond prices also saw gains, in contrast to the distressed European sovereigns...

For the full version of the blog, please follow the link:
<http://www.mexnepal.com/blog/Gold-Enhances-Investors-Breathe-a-Huge-Sigh-of-Relief/>

Posted on: 8th November, 2011

Total Views: 21

Start Blogging-Say it loud

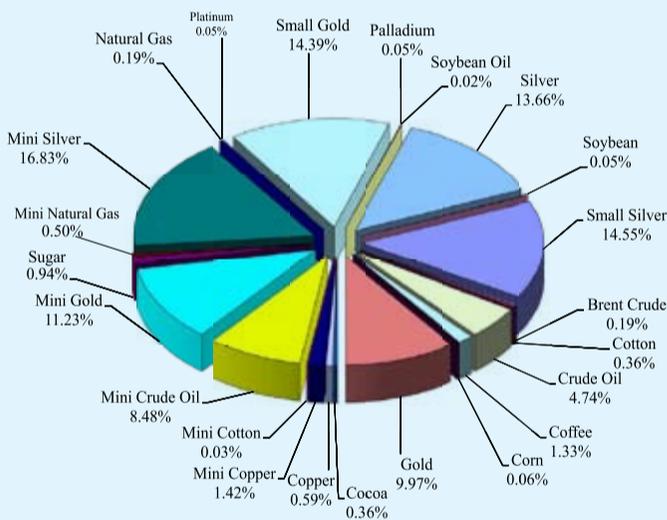
MEX encourages its valued members to come up with blogs and articles related to futures market which would be posted in our website, accompanied with the member's advertisements as well.

Mail your contents to media@mexnepal.com

So start blogging and learn to market your company

Market Capitalization

From October 2011 - December 2011 (in %)



Market Capitalization of all the commodities listed in the MEX terminal. Mini Silver had the maximum market capitalization followed by Small Silver and Small Gold.

Know Your Commodities

Crude Oil

Crude oil also known as West Texas Intermediate (WTI) is the oil of high quality due to its API gravity which is 39.6 degree which makes it light crude oil. Moreover, it only contains 0.24 percent of sulphur which makes it Sweet crude oil. Crude oil is the mixture of hydrocarbons which exists in a liquid form in underground reservoirs. Crude oil is also essential part of the modern era as almost all the industries dependent in oil. In terms of global energy consumption, crude oil satisfies 40% of the world's demand. The price of crude oil is volatile due to the factor related to geo-political turmoil, production and consumption, which can create huge inflation globally at the time of price rise. There are also by products of crude oil which includes Aviation Gasoline, Kerosene, Jet Fuel, Liquefied Petroleum Gas etc.



Top 10 oil producing countries for 2010 in Barrels per day

Country	Barrels/day
Russia	10,120,000
Saudi Arabia	9,764,000
United States	9,056,000
Iran	4,172,000
China	3,991,000
Canada	3,289,000
Mexico	3,001,000
United Arab Emirates	2,798,000
Brazil	2,572,000
Kuwait	2,494,000

of crude oil. These data show the crude oil inventories in world's largest consuming country i.e. the US.

The marketplace forces: There are various marketplace forces of supply and demand which determines the price of crude oil. The economic growth in various countries, any major disruptions in the supply of crude oil always impact the price of Crude oil. So, any major changes in the demand and supply scenario for the black gold also impact the price.

Geopolitical tension: In recent years geopolitical tensions have impacted hugely in the price of crude oil. So, any major political changes in the major oil producing countries also affects the price of crude oil.

Valuation of USD: Crude oil is priced in US dollar and dollar devaluation puts pressure for higher oil prices. To maintain an income and purchasing power, raising price is a major strategy used by OPEC countries.

Others factors:
 • Weather condition also affects the price of crude oil. During winter weather forecasts affect the price of crude oil.

• Major announcements by IEA (International Energy Agency).

• OPEC output, supply and spare capacities affect the crude oil price.

• Speculative buying and selling also affect the crude oil price.

Global Exchanges facilitating the Crude Oil futures

- NYMEX
- ICE
- TOCOM
- MCX
- MEX Nepal

CONTRACT SPECIFICATION

Name	Crude Oil
Symbol	CRU
Contract Size	250
Unit	US Barrels
Price Quoted	NPR / Barrels
Trading Hours	04:45 - 3:45 (Winter Timing) 03:45-2:45 (Summer timing)
Contract Months	All Months

like agriculture is also dependent upon use of the oil.

• Crude oil are processed to obtained products such as Aviation gasoline, motor gasoline, kerosene, jet fuel, distillates fuel, liquefied petroleum gas, lubricants and others.

• The prices of crude oil usually are very volatile as there are lots of factors other than demand and supply which impacts the price of oil. For example political instability in the Middle East usually impacts the crude oil price.

• Crude oil accounts for 37% of the world primary energy consumption.

Some Facts about Crude oil

• The oil we find underground is called crude oil.

• World's biggest reserves of crude oil are in Saudi Arabia followed by Iraq, Canada, Iran and Kuwait.

• World's largest producers of crude oil are Russia, Saudi Arabia, United States and Iran.

• United States is the world's largest consumer of crude oil followed by China, Japan, Euro zone and Russia.

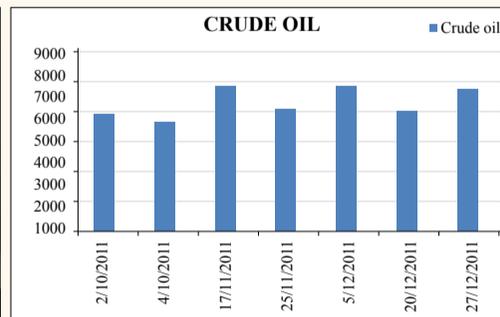
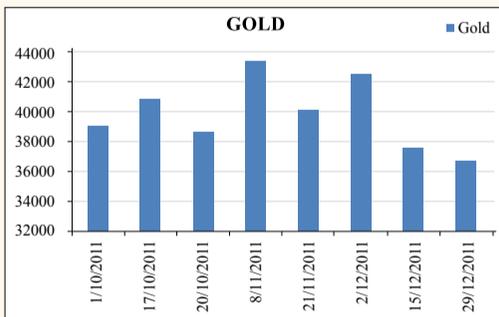
• OPEC countries controls 40% supply of crude oil globally.

• Almost all the industries are dependent on oil in one way or other. Moreover, sector

Fundamental factors affecting crude oil prices

Weekly inventory report: The American Petroleum Institute (API) and Energy Information Administration (EIA) releases weekly inventory report on Tuesday and Wednesday respectively. These reports basically show the total crude oil inventory in world's largest economy which is also largest consumer of crude oil. Any major changes in the inventory impact the price

Major Market Movers for Gold and Crude Oil (1st October - 31st December, 2011)



Note:

Date	News
1/10/2011	Opening price for the quarter
17/10/2011	Sluggish global economic outlook coupled with Greek's default fears
20/10/2011	Decreased U.S. Jobless claims and positive economic reports from U.S.
8/11/2011	Weakened Dollar, supported with skepticism regarding European resolution plan
21/11/2011	Signs of optimism in Euro zone and unfavorable data in U.S. regarding Unemployment Claims and Core Retail Sales
2/12/2011	Announcement of Fed to lower the dollar liquidity swaps despite positive data from U.S.
15/12/2011	S&P put Germany and France including 13 other nations, under review after EU summit
29/12/2011	Series of positive data from U.S. including CB Consumer Confidence, Unemployment Claims etc.

Note:

Date	News
2/10/2011	Opening price for the quarter
4/10/2011	Fear of inability of EU leaders to contain the debt crisis
17/11/2011	Positive earnings reports from European firms followed by increase in trade surplus in Germany
25/11/2011	Pessimistic global outlook followed by weak industrial report from Japan
5/12/2011	Six European central banks created funds to solve the debt crisis
20/12/2011	S&P indicated mass downgrade of 15 Euro Zone members including Germany and France
27/12/2011	Improving U.S. economy and rising tension between Iran and the West

SEJON Felicitation



Online Client Registration (OCR)

MEX Nepal had launched "Online Client Registration" (OCR) effective from 11th November, 2011 with an objective to provide efficient and effective service to its valued members and clients. With the introduction of OCR, applicants residing anywhere can register under the concerned Non Clearing Member (NCM) by logging into its concerned Clearing Member's (CM) website, which is supposed to prevent non-compliance and also reduces time for client registration process.



SEJON Felicitation

On 21st October, 2011 MEX Nepal organized a program at Hotel de l' Annapurna, to the newly elected members of Society of Economic Journalist Nepal (SEJON), which is an organization representing the economic journalist of Nepal.

The newly elected president and the entire team were felicitated by the MEX Nepal's Managing Director (MD) Mr. Dipendra Khatiwada and CEO Mr. Jitesh Surendran. Moreover, Mr. Pradeep Chapagain, President of SEJON had shared some of his views regarding SEJON and its working area whereas MEX Nepal's MD Mr. Dipendra Khatiwada expressed his views about the commodity market. Likewise, there was an interaction held between economic journalist and MEX Nepal management and staff where they all shared their views regarding the commodity market.

New Contract- Mini Cotton

MEX Nepal has introduced mini cotton for trading in its platform from 19th December 2011. On its continuous effort for providing wide range of trading option for its market participants, MEX Nepal came up with this product, which is expected to give more alternative for the small size investors and low risk takers. The contract size of Mini Cotton is 2500 Kg and the initial margin for the product is set at Rs 16,000. The trading hours for this contract is 07:45 AM – 01:15 AM. Moreover, there would be five contracts available in a year.



Training Program at BPC

MEX Nepal has conducted a training program on the topic of "Futures Market at a Glance" at Birgunj Public College (BPC) in Birgunj on 15th Nov, 2011 to enhance practical knowledge of commodity futures market among the students. The training constituted the basics of derivative market and trading mechanism of "Trader's Work Station". MEX Nepal believes the development and expansion of this market would be fueled by such awareness programs. It will also help the participants to get acknowledged with the opportunities of making career in derivative market.



Online Withdrawal Facility

MEX Nepal is delighted to provide Online Withdrawal facility, which is available for 24 hours on all trading days.

The prevalent Online Withdrawal facility for the Clients from their TWS (Trader Work Station) which is limited only during the office hours has further extended to 24 Hours on all trading days from 23rd November, 2011.

Online withdrawals placed two hours, prior and after market close shall be processed only after completion of MTM for all the trading days.



Reward's Galore 2011

Mercantile Exchange Nepal Limited (MEX Nepal), a leading commodity exchange in NEPAL, holding its firm ground by completing its 2nd year of successful business, has introduced "Rewards Galore 2011" since January 2011, to reward its members for their continuous efforts and dedication.

The reward is based on the following criteria:

- Top Number of lots
- Top Number of clients introduced
- Top Number of AE/ Registered Users introduced

Reward Galore for the month of

October, 2011	November, 2011	December, 2011
 N021 Money Plus and Securities Pvt. Ltd.	 N079 Nepal International Financial Center Pvt. Ltd.	 N012 Fewa Trade and Investment Pvt. Ltd.

MEX CSR

As a part of its Corporate Social Responsibility (CSR), MEX Nepal believes in contributing the needy section of the society in whatever manner possible. MEX Nepal has provided much helpful and supportive charity to many organizations during the month of October and November of 2011.

Short listing the helps and supports provided by MEX, an immense help has been made in the month of October, 2011 to the Rejoice and Salvation in Trinity Services, a nonprofit social organization aimed to provide shelter to the orphanage children.



The charity worth Rs. 285,400 includes the cost of food, clothing, shelter and education. In addition, MEX Nepal has made another charity in the month of November 2011 to the House for Rescue of Afflicted Children (HORAC), which is a nongovernment and nonprofit social organization committed to look after orphanage children; especially those who lost their father and/or mother in the year of conflict in Nepal. MEX Nepal has contributed a charity worth Rs. 17,850 to HORAC. In the same month of November 2011, MEX Nepal has contributed another charity by providing grocery item worth Rs. 20,905 to Rasuwa Langtang Liring Anath Sanstha, which is also a nonprofit social organization actively involved in rescue of helpless and orphan children.

Disciplined Trading – A Key to Success

The key for commodity trading is not the perfect strategy, but perfect discipline. Discipline in commodity trading is, control over emotions like fear & greed and consistency on trading strategy. You must maintain discipline, which follows your strategy that will separate you between success and failure.

Good system doesn't mean more number of winning trades than losing trades. Most of professional traders book more losing trades than winning ones. But the fact is that they make more money on winning trades than they lose on the losers.

Law of nature has significant impact on human being. One must have known about a famous Chinese Philosophy Ying & Yang. So, profit or loss is the law of commodity trading. Trader has to treat them like Ying & Yang. So far the books that I have come across disciplined trading; all implies the basic facts of disciplined trading that the degree of success in commodity trading is measured by how strictly trader follows his system.

Belief is the pillar of success. Where fear, doubt & worry are killer of success. If you believe your trading system and you strictly follow the system then success is on the way of your trading career. But a trader who does not have enough discipline to control his emotions is doomed to failure.

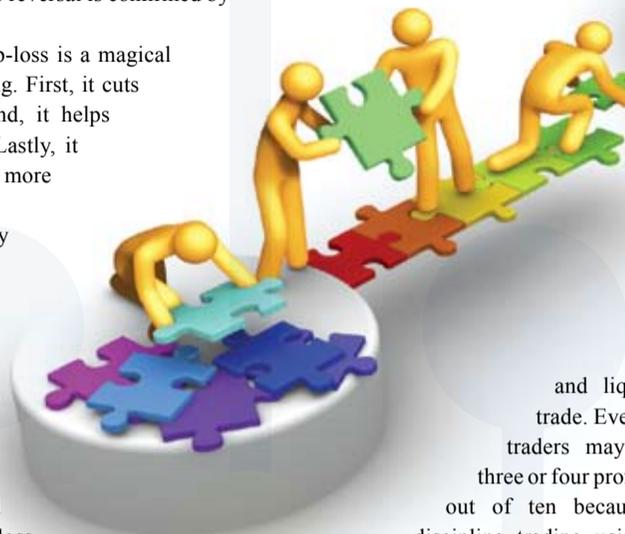
A Trading strategy means; you execute your trade after the confirmation by any two or more indicators. Then you strictly place stop-loss order.

Stop-loss order is meant to get you out of a position if the market goes against your expectation, before a small manageable loss becomes a much larger existential threat. Finally, you lock in some of your profit if the market goes in your favour, and book your profit when the reversal is confirmed by any indicator.

I do believe that stop-loss is a magical tool in commodity trading. First, it cuts losses strictly and second, it helps to lock in some profit. Lastly, it helps to lock in more and more profit.

"Cut your loss strictly and let your profit run" is a common trait of professional trader. Actually non disciplined trader goes opposite of this trait. He cuts his profit strictly in the fear of that market which will reverse soon. He lets his loss run in the hope that market will turn around, how funny it indeed is?

One of most dangerous mistakes many traders make is not admitting it when they're wrong. It takes a great deal of discipline to swallow your pride and resist the temptation to hang on to a loss. When market moves against you, admit your mistake



SUCCESS

and liquidate your trade. Even successful traders may have only three or four profitable trades out of ten because, through discipline trading using stop-loss orders, they are able to exit the market early when they are wrong.

Cutting profit short is another cause of unsuccessful trading. Your losses will outweigh your profits unless you let your profits run. How to know when to take profit? There are some of the technical rules on reversals and other chart

formation, which might help the traders to know about the market movements. Experienced traders say you should never take profit just for the sake of taking profit – always have a reason for closing out a profitable position.



Ashok Kumar Shah
CEO
Farwest Futures Pvt. Ltd.

COMING SOON!!!
YEAR BOOK 2011



Why to invest in derivative market???

Derivative market is no more an alien phenomena in Nepalese economy. So, if we think beyond the traditional trading options i.e. stock and bond then derivative trading may be the best option. The payoff, over a period of time is based on the performance of assets, interest rates, exchange rates and indices. The return can either be in cash or assets depending upon performance and timing of particular assets. Important news of world's strong economies like changes in consumer indices, market indices, currency exchange rates, weather conditions affects performance of underlying assets in derivatives. There are many reasons which can be informative in understanding derivative trading.

Investing in derivatives involves minimum risk than any others. In derivatives, we do not purchase the underlying assets although in some cases we agree to purchase the underlying assets in the future, also known as futures trading. Return in derivative depends on the performance of the underlying assets in which we are trading. Profit or loss is a part of investment in derivative like any other investments but risk of losing whole investment is very less. We can trade in derivative options with lower initial investment which makes it more appealing to the investors who are not able to invest due to the money constraint. Leverage



in derivative market is higher than any other investment because with lower initial investment probability of getting higher profit still exists. In this sense we can say derivative market is totally geared up, because varieties of trading options balances the total portfolio risk.

Derivative can be a good short term investment. It may be a good option for those who are looking for an investment opportunity that can

payoff in a shorter time range. In long-term investments like stocks and bonds we have to wait years to get return but in derivatives, return comes in short span of period depending upon the trading strategies. Derivative investment may also be a good way to balance short and long-term investments. To make profits in derivatives we do need to work on research part and make wise decisions. The results can come much faster than anticipated, which is not possible through other investment option.

In derivative we have varieties of option to trade and it is more flexible than any other investments. Derivatives provide wide

range of investments beyond our imagination. Anyone interested in derivative trading either needs to have a trusted financial representative who will provide suggestions, or learn as much about the business as possible. Before entering into the derivative trading, we can take advices from our financial representative, who is much more involved in the financial sector, to safeguard our investment and better handle our

portfolio. This way we can track our money and keep it in right track for better returns. The other option is to learn from the resources available in the internet which is usually provided by the financial analysts.

Exchanges and its associates in Nepal are breeding the culture of giving different training related to derivatives trading to the wide range of investors and stakeholders, who are interested in it. Derivative is also included as part of course in the discipline of finance in all reputed Nepalese Universities.

Some types of trading options are available around the clock, on a global scale, which is arousing more interest in derivatives among the investors. Getting involved in derivatives trading means keeping eyes on the global economy which makes us more updated about international scenarios.

Derivative trading is an excellent way to prove money earns money. It will make our investment portfolio more attractive and secure. It offers a wide range of alternatives, including international opportunities. This is the best way to utilize our money. The only thing needed, is enthusiasm to learn, research and develop skills with each trade. So what are you thinking of???



Roshani Shrestha
Premier Clearing Services
Pvt. Ltd.