

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

MEX EXPRESS

A Smart Solution for Online Trading

www.mexnepal.com

Volume: 5 • Issue: 1 • Year: 2013 A.D

KYC: Silver

PAGE 2



MEX News Portal

PAGE 3



Member's Perspective

PAGE 4



From the CEO's Desk



Amidst ongoing turbulence in Nepalese commodity market, by understanding and identifying the need and desperateness of the market, we, MEX Nepal, are shortly launching a new market model. As we have been

rigorously putting our hands together to release the sought market mechanism and the associated trading platform at the earliest, the release of the model is expected to be out in the ensuing days.

Understanding the gravity and magnitude, and keeping into account the much hyped regulation on the commodity market, we have endeavored to align the new market mechanism with the proposed regulatory requirements and the market fundamentals. The trading mechanism is believed to be significantly unaffected once the regulation is promulgated. Though, we must prepare ourselves for amendments as required by the regulation, if any.

We believe, to make the new business mechanism a successful venture in Nepalese commodity market, the support and active participation of all the stakeholders is indispensable. As the market mechanism and the trading platform (software) for the sought market space is entirely distinguished from the existing model, we expect the model to serve the trading needs of the market place.

In the proposed market mechanism, the focus we have put on is to deliver state-of-the-art, cutting-edge trading console with customizable features. Furthermore, the trading space shall have more professionalized software/platform for better trading experience in line with the proposed regulatory parameters. The platform is also equipped with order tracking, client profiling and tracking, broker profiling and other tons of features for complete transparency and wellness of the market space.

Finally, as we have been constantly overcoming the challenges and hurdles faced during the inception, development and continuance of our services, we would like to assure to all the stakeholders that we shall be constantly working to improvise and streamline the commodity market in the days ahead, eventually taking the Nepalese commodity market to greener pastures.

- Jitesh Surendran
CEO
MEX Nepal

Yellow Metal: Treading a Thin Red Line!

Gold has been termed as a safe haven investment since time immemorial. But the current crop of investors has questioned the symbolic nature of gold given the rollercoaster of a ride that the prices had undergone in the weeks gone by. In the preceding days, the value of gold has been fluctuating which has left the investors with moments of despair and joy in a short run. Gold has always been considered as a form of alternative investments given the sustainability of the metal. Investors seem to be park their belief and trust in the yellow metal since it gives the corresponding investors appreciable profit in the long run. Hence, the unpredictable nature of the markets in the recent times has gained predictable.

In Hindu culture, the possession of gold has been regarded as a status symbol thereby enhancing its importance by being a necessity for marriage ceremonies and many other rituals as well. Gold is also considered as the most liquid asset after cash, thereby being easily sellable in the markets. Thus, the demand of gold is always increasing although the prices have been fluctuating immensely.

It's no hidden secret that the US economy is the largest economy, influencing the global affairs with an iron fist. Therefore, any changes in the US policy will have a direct or indirect influence on the rest of the world. The decrement in the prices of gold lately, is also to some extent associated with the changing dynamics of the US economy. The supposed rumor of the US Central Bank, Federal Reserve, in tightening the monetary policy by stopping its Quantitative Easing (QE) has affected the prices of gold in the international markets. QE is the government monetary policy that injects money via buying financial assets from commercial banks to increase money supply in the economy. With the development of US economy, the Federal Reserve Bank decided to tighten the monetary policy which would ultimately reduce the money supply in the economy and this will reduce the flow of money. Thus, this will result in less money in the hands of general public. Due to the supposed inverse relationship between USD and gold, the prices of the safe haven moved southwards given the strengthening of the USD. But in the latest FOMC statement, published by the same authoritative body, the Central

Bank maintained that it will hold onto the accommodative monetary policy, provided impetus to the prices of gold thereby moving it northwards again. Investors did have a field day given the dramatic fall and rise of the precious metals in a matter of few weeks.

Besides, another reason exemplifying the reduction of the prices of gold was the announcement of the Cypriot government to sell most of its gold reserves to help finance part of its bailout. Furthermore, other weak Euro zone economies including Italy and Spain are also in the footsteps of Cyprus, leading to the further reduction in the prices of gold.

Nepal is sandwiched between two of the fastest growing economies in the world in the form of China and India. But when the former announced that its GDP took a beating in the last quarter declining to a figure of 7.7% versus an 8.0% expected figure, gold prices declined as a result sending shockwaves across the financial systems which was hoping for a global recovery phase. The decline in the Chinese GDP was attributed primarily to lower consumption in the wake of a government crackdown on luxury spending, as well as property investments.

The importance of the Commodity Markets in the context of fluctuating prices of commodity becomes immense as the participants, especially speculators, will gain profit via the movement of prices of the corresponding commodity. In a nation like ours, where the investments are somewhat parked in the yellow metal, the importance of such mechanism becomes paramount in hedging the investments of the common man. With the help of the Commodity Market, people can get new investment opportunities,

enjoy leverage, mitigate risk and can earn profits with little investment. The sector also provides new business as well as numerous employment opportunities.

Gold has been treading along higher grounds since the bearish days of April 2013. As I conclude this article, the prices are trading at an appreciable figure of \$1477 per troy ounce. So what is next for the favored metal will be awaited with bated breath by the investors and the common man alike. Some renowned institutions had quoted at the beginning of the year that the prices will touch \$2000 per troy ounce by the end of 2013. But the same bodies had to eat humble pie, when the prices dropped to unthinkable figures in the preceding days and withdrew their forecasts as quick as possible to avoid further embarrassment. But yours truly believes that the global economies is not out of the woods yet i.e. the recession years-given the figures coming out of the major economies, and also believe that the metal will slowly but surely reach the improbable figure of \$ 1800 per troy ounce by the end of the year. Some note of caution though- I will be highly apologetic if the prices does not reach the said figure. But if it does, you know where you heard it first i.e. after the recent crash!



Shubhechcha Mulepati
Assistant Manager
Client Service Department
Mercantile Exchange Nepal Limited

Most Popular Blog

Most Emerging Economies Sign Most-Awaited Deal!

Looking into the major financial crises the world has faced up to now, the major reasons that can be identified are: un-securitization of the primary commodities and lack of mutual cooperation among the developed and undeveloped region in the world. There used to be G-8 up to few years back which has upgraded to G-20, which means that the cooperation has been increasing and there are countries approaching the group of developed countries in the globe. But then, there always remained a problem of huge gap between the developed and undeveloped region due to lack of sufficient look-over to the undeveloped region by the developed one. Long back, this was the reason why Third World Nations concept came into existence and then BRICS (Brazil, Russia, India, China and South Africa) was formed and is coming up strongly.

For the full version of the blog, please follow the link: <http://www.mexnepal.com/blog/Most-Emerging-Economies-sign-most-awaited-deal/>

Posted on: 27th March, 2013

Start Blogging-Say it loud

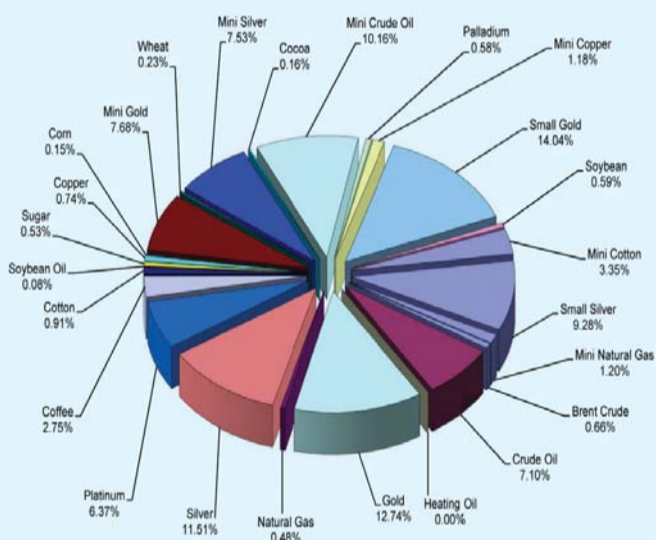
MEX encourages its valued members to come up with blogs and articles related to futures market which would be posted in our website, accompanied with the member's advertisements as well.

Mail your contents to media@mexnepal.com

So start blogging and learn to market your company

Market Capitalization

From January 2013 - March 2013 (in %)



Market Capitalization of all the commodities listed in the MEX terminal. Small-gold had the maximum market capitalization followed by gold and silver.

Know Your Commodities

Silver

Introduction

Silver is a white, soft, lustrous transition metal, which has the highest electrical conductivity of any element and the highest thermal conductivity of any metal. Mostly, silver is produced as a by-product of copper, gold, lead and zinc refining. Silver has long been valued as a precious metal, and it is used to make ornaments, jewelry, high value tableware, utensils and currency coins. Silver is often considered as the "poor man's gold" as it has been quietly climbing the investment and demand charts since its discovery thousands of years ago. Its unique properties make it ideal for thousands of applications used in everyday life. The top three producers in the year 2009 were Peru, India and China.



While looking at the consumption side, the largest consumer of silver is the United States followed by India, Japan, and Italy. 75% of silver's production comes from gold, copper, lead, and zinc mining which is why changes in these other industries have a large impact on the price of silver. On the demand side, silver (like most commodities) benefits from strong world growth, a weaker U.S. dollar, and increasing use in electronic applications. With so much of news available for precious metal, investors are highly interested to trade in this commodity.

Silver, like other precious metals, may be used as an investment. For more than four thousand years, silver has been regarded as a form of money and store of value. However, since the end of the silver standard, silver has lost its role as a popular legal tender in many developed countries such as the United States. In 2009, the main demand for silver was for industrial applications (40%), jewelry, bullion coins and exchange-traded products. Millions of Canadian Silver Maple Leaf coins and American Silver Eagle are

purchased as investments each year. The silver maple leaf is legal tender, at \$5 per ounce, and there are many other silver coins with higher legal tender values. There are some Canadian silver \$20 dollar coins. Silver is legal tender in Utah, and can be used to pay all debts.

Fundamental Facts

- The major producers of silver are Peru, Mexico, China, Australia and Chile. Any news regarding the production patterns from these countries affects the prices of silver. So an investor should trace such developments to determine the trading strategies.
- 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.

Major Silver Producers in the World

Mexico
Peru
China
Australia
Chile, Bolivia, United States

Major Applications

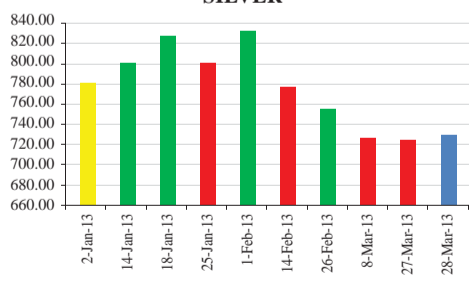
- Industrial Applications
- Jewelry
- Coins and Medals
- Photography
- Silverware
- Dentistry

CONTRACT SPECIFICATION

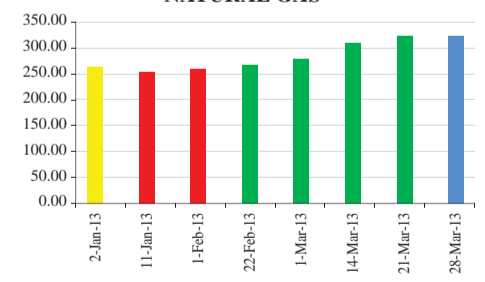
Name	Silver
Symbol	SIL
Contract Size	30000
Unit	Grams
Price Quoted	NPR/10 Grams
Trading Hours	03:45 – 02:45
Contract Months	March(H), May(K), July(N), September(U), December(Z)

Major Market Movers for Silver and Natural Gas

SILVER



NATURAL GAS



Note:

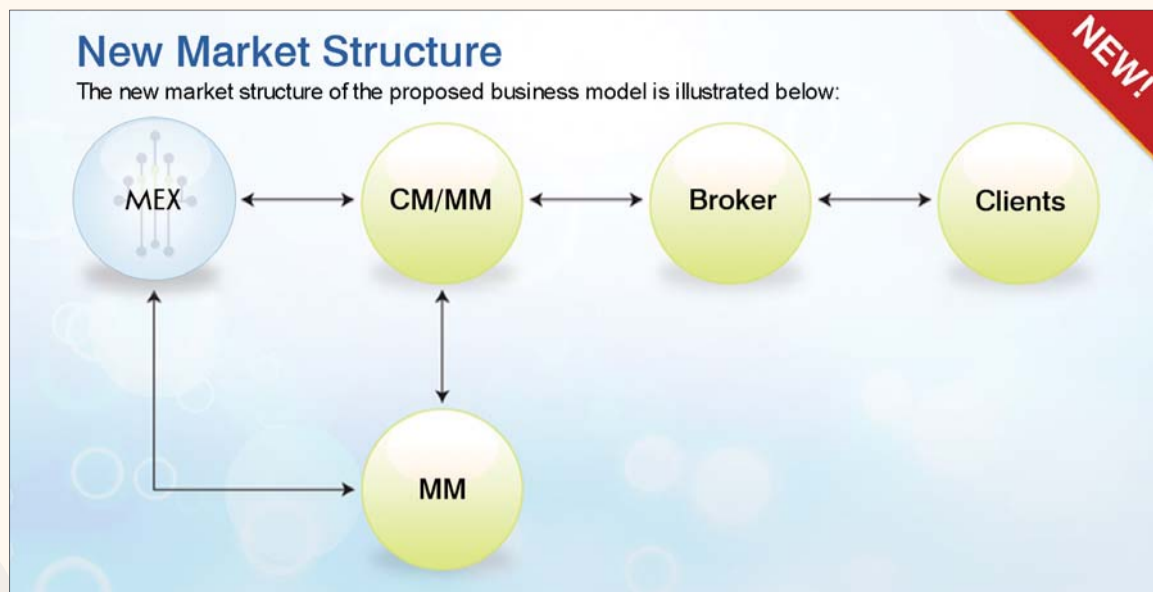
Date	News
01/02/13	Opening Price as of 2nd January, 2013
01/14/13	Prices went up amidst lower US dollar index
01/18/13	Technical buying, supported by lower dollar index
01/25/13	Optimistic Outlook and hopes on the US debt deal
02/01/13	Unprecedented quantitative easing by the US, supported by stronger Euro index
02/14/13	Statement by the US treasury official concerning currency devaluation of G-20 nations
02/26/13	Fed's statement on continuation of stimulus program
03/08/13	Optimistic US economic indicators and stronger dollar index
03/27/13	Cypriot Crisis and market sentiments towards precious metals
03/28/13	Closing Prices as of 28th of March, 2013

Note:

Date	News
01/02/13	Opening Price as of 2nd January, 2013
01/11/13	Weak demand in the largest economy of the world, the US
02/01/13	Rising level of temperature in the largest consumer of Natural Gas, the US
02/22/13	Decline in stock level and forecasted cold weather
03/01/13	Problems in gas processing plant in Norway squeezed the supplies
03/14/13	Forecasted cooler weather in the US
03/21/13	Supplies issues and expectation of cooler weather in the US
03/28/13	Closing Prices as of 28th of March, 2013

NEW BUSINESS MODEL

Mercantile Exchange Nepal Limited with the objective of implementing an order matching system to make the market mechanism transparent proposes “**New Business Model**”. The new model aims at enhancing maximum liquidity, enabling price discovery to support and create the market for local domestic products. As a competitive move of an exchange to counteract mushrooming of new exchange opening, MEX Nepal is introducing the new structure as depicted:



Features of the Broker:

- Plays a role to introduce sub-brokers /clients or can trade on their own account.
- Providing advisory services to clients, training and customer support etc.

Features of the Exchange:

- A commodity exchange, abiding by the rules and by-laws and also by the law of the land. Offering huge opportunity and enabling Nepalese investors to diversify their investment portfolio with the help of its members, banking partners and software vendors.
- Provides brand new platform and have overall supervision, observation, super surveillance on the market and its participants.

Features of the Clearing Member:

- Registered institution with financial requirement prescribed by exchange.
- Dual Role of Clearing & Settlement(C&S) and Market Making as a Market Maker(MM)

Features of the Market Maker:

- Registered institution or a sole proprietorship
- Plays only role of Market Making
- Not Authorized to introduce clients



“Brand new MEX Nepal Client Trader for the “**New Business Model**” with customizable features and more professional state-of-art software in line with the proposed regulatory parameters.”

Annual Award Winners

Mercantile Exchange Nepal Limited (MEX Nepal), a leading commodity exchange in NEPAL, has completed its 4th year of successful business and has continued its “Annual Award Winners” series since 2010 to motivate our valuable members.

As we enter our fifth year of operations, we would like to take this opportunity to thank all our valued Stakeholders, Members and Well wishers for their continuous allegiance and cooperation.

MEX Legend of the Year 2012	Most Promising NCM	Best Emerging NCM	Best Business Development	Best Compliance	Best Service
					
Jambhala Investment Pvt. Ltd.	Money Plus and Securities Pvt. Ltd.	NOREX Pvt. Ltd.	Multi International Trade Market Pvt. Ltd.	Expedient Securities Pvt. Ltd.	Fewa Trade and Investment Pvt. Ltd.

Potentiality of Commodity Market in Nepal

Nepal is one of the least developed countries in the world where most of the people are still investing major parts of their wealth in traditional and lugubrious sectors like land, house, jewellery, car etc. They prefer to stock wealth in their safe boxes rather than to use it in productive sector. In fact, they fear to lend money for others as an investment too. This is due to feeling of insecurity of wealth in the people.

How this insecurity has arisen? Firstly, lack of proper government(s) policies is prime reason behind this unproductive financial practice. The government's policy is unable to attract the investment which is ultimately having negative impact in the country's economy. As a result, frequently unhealthy financial practice appears on existence and genuine investor's are losing their hard saving. Such incident discourages investors for further investment. Secondly, prime purpose of investment is to span wealth through business activities and to sustain the investment for long run. In current Nepalese business circumstances, it's quite difficult to sustain business for general investors. As the country is in the transactional phase it's been difficult to adopt and implement new investment policies for the government. Finally, it's been difficult to start industries as well because of cheaply imported product from different countries. In these circumstances, Service sector alone is not sufficient to provide ample ground for much investors and competitors, as the volume of the market is still small and dominated by externals.

At the same time, stock market is being handled by the only government exchange and still operate in manual manner, where simple transactions takes almost two weeks to get complete. Due to internal and external effects and unhealthy business practices, business companies are unable to boost their business as it's supposed to. As a result, stock value has been remaining bearish for last few years.

In such circumstances, the commodity market has shown some bright light for the Nepalese investors to sustain in the Nepalese business sector. Although, the practice of this market has arrived quite lately, it has brought huge potentiality for the potential Nepalese investors within the country.

It is an international standard business of the modern age. In the countries like United States, Japan, U.K. Australia, Germany, Ireland commodity market is in practice for centuries with active participation from investor. Emerging countries like China, India, Brazil, South Africa etc are also actively participating in the commodity market which is also proved from the rising volume of trade from these countries. Although, commodity market is in practice for long period, the entry of Nepal in this market is quite late due to lack of modern technology in the field of communication. A beauty of commodity market is that genuine investors can participate in this market in multi ways. A general citizen and a businessman both could take part and invest in the market according to their requirement. Growing interest in commodity exchanges on



the part of governments, donors, and the private sector in developing countries reflect a drive to reduce transactions costs and a need for new commodity risk management tools. Improvements in the institutions serving commodity markets are especially important to developing countries that remain heavily dependent on a small range of commodities for export revenues. Growing interest of governments and investors has increasingly looked to commodity exchanges as a means of managing risk in a liberalized market environment.

The production of commodity and its trade affect the lives of millions of people in the country. Therefore, development of commodity market holds key to the poverty alleviation and overall economic development of the country. The major problem faced by the farmer and trader is related to the price volatility and high marketing cost which

shows the importance of the commodity exchange where farmer and traders can mitigate the risk related to price and can also market their product effectively. Now Nepal is in transactional phase possibly towards economic struggle. Commodity Market could be a vital tool for our country to gain economic growth. It requires strong and combines power of government and private sector. This is how its potentiality of Commodity Market for Nepal and Nepalese could be justified.



Binod Pd. Timsina

M.D.

Shree Rajshyamaji Investment

& Trade Center Pvt. Ltd.

Kirtipur, Kathmandu.

Email: sitcnepal@gmail.com

Trends in Gold Prices: An Insight into the future!

Gold is a precious metal which is used both as a property and as a financial asset. Importance of gold has come until today increasing its value and the area of usage. Gold was the fundamental of the money system in the past and then became a reserve tool pegged to Dollar. After 1973 some European Countries let their exchange rate float against dollar and convertibility of dollar against the gold ended and under these circumstances gold has lost the property of being a mean of exchange and become a personal saving tool and a part of Central Bank Reserves. In the recent years, demand of gold has expanded with the widespread use of gold both in the industrial goods and in the jewelry sector. However, developments in the financial sector and the alternative financial instruments have decreased the importance of gold as a store of value. Afterwards, demand of gold tends to increase in the recent years, after the financial crises and individuals need for more secure investment tools.

The above charts signify how gold has rallied over last 10 years. Due to meltdown in the global economic activity; investors, financial institution, government has taken precious metals as safe heaven. Due to its safe heaven perception gold prices have remained strong over the last 10 years. Gold is also regarded as the hedging tools for the investors during the period of inflation. To hedge against inflation central banks and also the institutional investor tend to increase the holding of the gold due to its safe heaven nature. Recent development in gold price trend shows that the price of gold has entered into downtrend. Prices have dropped so sharply that recent technical approach shows gold for further consolidation. It is hard to predict the price movement in commodities; we have seen gold



has become quite logical for investment since it has outperformed other assets class. However, the current consolidation of the price of gold can also be linked to the recent years gold price bubbled. The biggest question or confusion that exist in the investor mind is regarding the trend of the yellow metal as its not sure whether it would go south or north. However, the technical part suggests that the gold would be heading towards south which can also be conformed through daily, weekly and monthly charts. It is hard to believe but fact is that gold is still downtrend. Abundance of precious metals investors are either scared or in panic. They are still wondering if Gold is truly in a bubble or the Bull Run in Gold prices is finally over.

The rise in Gold price has lasted thirteen years or so (depending on which low one uses as the main trough) and prices have managed to rise from \$250 towards \$1900. In our opinion, the most obvious support level at this point is at about \$1000. However, Support could easily be found at higher side, but for now we can stick with the \$1000 while estimating the long term support level for this precious metal. Similarly, in Long run, the trend for gold is bearish, and the condition is also supported by the fact that monthly chart is at overbought zone; therefore, we have to assume that outcomes will be negative until some improvement is seen.



Pankaj Agrawal

Norex Pvt. Ltd.