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: 2 • Year: 2013 A.D

From the CEO's Desk

At this point of time, I would gladly like to take this opportunity to share to all the stakeholders of the Nepali financial market, especially commodity market, about the launch of our new Exchange Solution AX1, the sole purpose of which is the increased level of transparency in the ongoing commodity trading practices and also added plans to launch the local deliverable products. It gives immense pleasure to observe the positive feedback about the new software from the overall commodity market.

Continuing the series of good news, the budget of the country, popularly known as the fiscal policy, has finally addressed the regulation issue of the Nepali commodity market. "Morning shows the day"- the saying holds, the budget has announced the regulation of the commodity exchanges under the supervisory authority, Securities Board of Nepal (SEBON). Besides that, the tax policy has also been amended with the required changes that would benefit the clients. As we had been mentioning, MEX Nepal is one of the pioneers in the country to start the tirade of the discussions on the need of the regulatory body and regulations for the commodity exchanges in the country, finally all the efforts have been showing up as some distinct shape in the form of upcoming regulation.

It is true that it makes a lot of difference when something is done with a balanced and encouraged state of mind and when the situation is contra; and this period, when we are obsessed and obliged with the foundation of highly anticipated regulation supported by our new trading platform, it will surely help create a conducive environment in the Nepali commodity market. We are aware of the fact that the coming days would be more challenging for us, complying with the upcoming regulations and introducing local products in the product domain of ours. But 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.

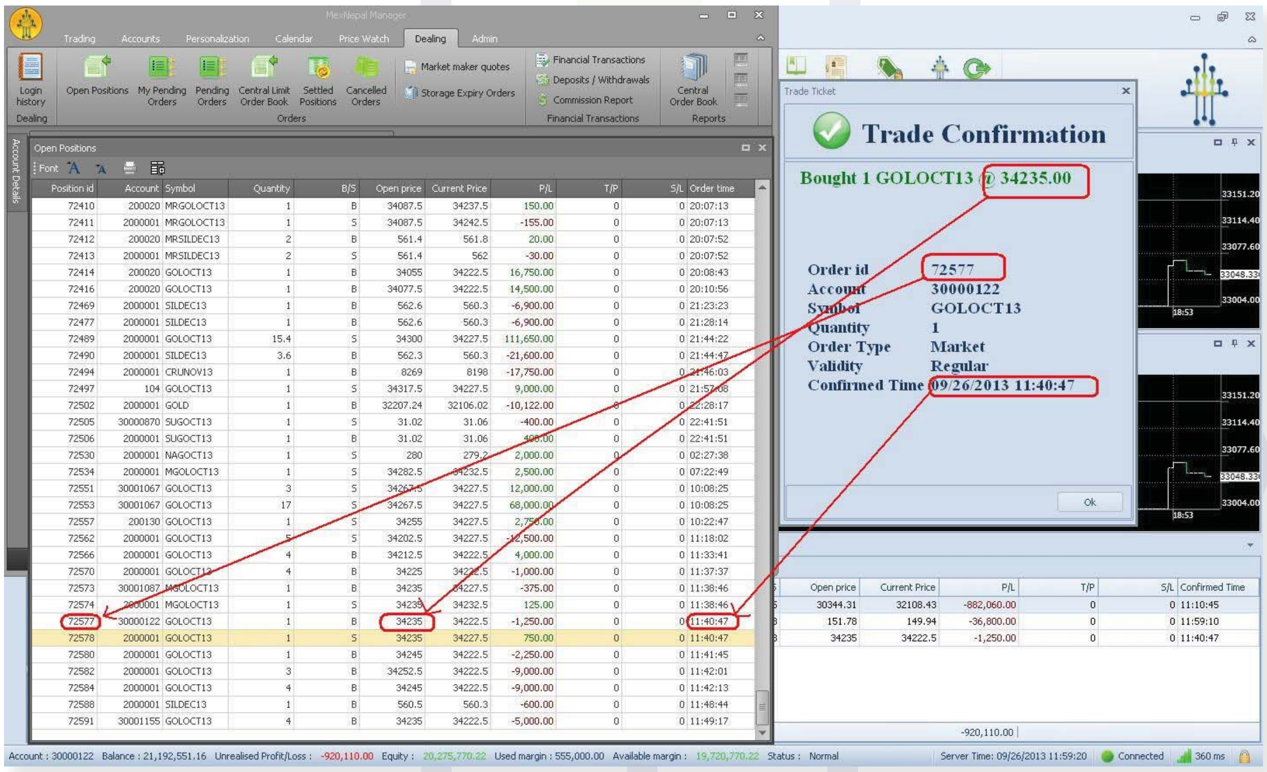
To conclude, I would only like to mention that Doing days are on now and MEX Nepal would not leave a stone unturned in doing the best to provide the market with new products and new trading dynamics which will justify that the commodity market has a long way to go and MEX Nepal will surely lead the way with diligence and innovation.

- Jitesh Surendran
CEO, MEX Nepal

Commodity Trading:
Beyond the Console!

There has always been a major concern from the clients' end regarding the transparency and reliability of trading software in the Nepali commodity market. Overcoming the shortfalls and satisfying all the basic themes of commodity market, MEX Nepal has come up with the new advanced version of trading console, State-of-the-art AX1 Exchange Solution-MEX Nepal Trader and Manager, which would put a new benchmark among the Nepali commodity exchanges. The new Manager and Trader Consoles are believed to facilitate the highest level of transparent sphere in Nepali commodity market space.

During my recent market visit to one of the brokerage firm (not associated with MEX Nepal), I had a very meaningful interaction with some of the clients who were trading with humongous amount. During the conversation with the traders, I found that in the absence of clarity of fundamentals of the market mechanisms, the traders were not very much satisfied with the (Contracts for Difference) CFD (then active trading mechanism) market operations. The prime attribute of their dissatisfaction was the ambiguous trading mechanism, at least for them. At that particular moment, I completely agreed on their stands and greeted their queries with a big "YES" for a radical shift in the trading module, but also informed them that they have to get themselves acquainted with the software and market mechanism that exchanges use.



AX1 MEX Trader Console where client's orders cannot be modified.

For the fair and genuine order execution and to maintain the market reliability, it's very important to have the facility of order tracking system for the broker/trader as well as general awareness about the back-end software. Normally, the software's can be purchased from the software companies embedded with flexible facilities which may be used by the dealer in the various ways and can maintain different set of parameter for the different users in one trading system.

This kind of market initiative by MEX Nepal, where there is complete market transparency rights from the open order to order execution, would surely bridge the gap between the market participants and develop the environment of trust and transparency which is also a prerequisite of the commodity exchanges all round the globe and also an initiative in Nepali commodity sector which would surely change the landscape of Nepali commodity market to bring satisfactory result among the market participants.

Lakshman Pandit
Manager
Business Development Department
MEX Nepal

Most Popular Blog

Cardamom prospects for the commodity exchange!

Nepali land is inhabited by numerous types of flora and fauna though being a small landlocked country. But it does not make any sense if we keep on claiming that we are naturally rich unless and until we actually utilize it and economically productive output can be generated out of it. There are many such agricultural commodities which are highly produced in the country but due to un-commercialized trade and hooliganism in business, and lack of proper subsidies many farmers are getting demotivated from the agricultural production.

For the full version of the blog, please follow the link:
http://www.mexnepal.com/blog/Cardamom-prospects-for-the-commodity-exchange/

Posted on: 9th April 2013
Total Views: 4

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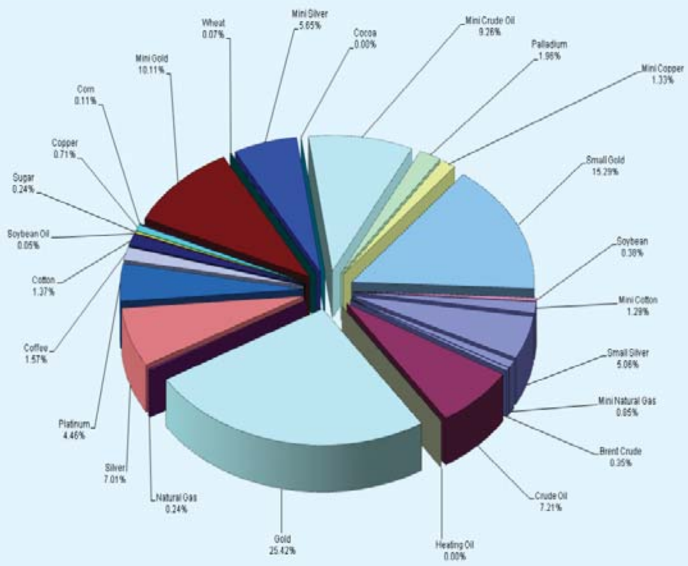
So start blogging and learn to market your company

Market Capitalization

From April 2013 - June 2013 (in %)



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

Know Your Commodities

Platinum

Platinum (Pt) is one of the scantest pure metals on earth with an average abundance of approximately 5µg/kg. It is usually found in limited quantity in some nickel and copper ores. On earth, 80% of the platinum is found in South Africa, 11% in Russia and 6% in North America. It is 30 times rarer than the yellow precious metal i.e. gold and is a least reactive metal. It is one of the members of a group of six chemical elements that are referred to Platinum Group Elements, commonly called as Platinum Group Metals. Other members of the group are: Palladium, Iridium, Osmium, Rhodium and Ruthenium. It is silvery-white, lustrous, malleable and ductile. Its ductility is more than gold, silver and copper, thus making itself the most ductile pure metal whereas the malleability of gold is higher than that of platinum. It is also one of the densest metals known as it is significantly denser than gold. Because it is highly heat-resistant and corrosion-resistant, it is preferred as a tradable metal commodity. The trends up to now show that generally the price of platinum rises during the times of political or economic instability of the major economies in the world.

Some Facts about Platinum

- Because it is one of the rarest metals on Earth, there are evidences of wild fluctuations in demand and supply of the commodity thus increasing its price volatility and risks for the investors.
- Platinum prices show high correlation with the international prices, especially the global currency dollar, so the strengthening or weakening of the dollar highly affects the price of the platinum.
- As the major uses of the platinum are in the automobile industries and jewelry making, the economic situation of USA, Europe, Japan, China, India, etc. affect the prices of platinum as the demand will be differently placed.
- As a precious metal, the price movement of gold also affects the platinum prices as it will determine the market psychology for the product.

Factors affecting pricesof Platinum

The major factors affecting the prices of platinum are:

Supply and Demand

The supply and demand of platinum are the major factors affecting the prices. The factors driving the supply and demand side are price, income, input costs, socio-political disruptions, availability of substitutes and complimentary substitutes, consumer preference, technological changes and governmental activities.

Ratio between US Dollar and South African Rand (ZAR) Rates

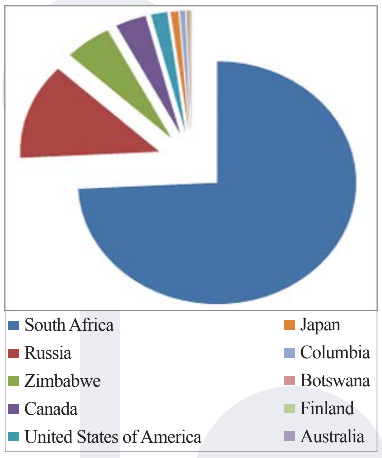
The prices for platinum are highly sensitive to the ratio between USD and ZAR. The main reason for the weakening of the greenback has been the widening current account deficit. The fact that most of the South African platinum miners cost are mainly in ZAR while their revenues are wholly in USD makes this ratio extremely important to the platinum mining industry. Another implication of the strong ZAR is its impact on the supply of platinum to the market. The strengthening ZAR will see a continued supply shortfall in the market. In short-the platinum is heading through a new era where the ZAR will set the prices.

Market Cyclicality

The market research have proven that most precious metal commodities can be described as having some degree of cyclicality-there is a duration dependence on the length of phases. These phases or cycles are contradictions or expansions in market prices and are clearly seen in platinum prices over a period of time. The term phases are defined as the period of prices occurring between a price peak and price trough. There is increasing likelihood that a drop in the price of a commodity as a phase of relatively high prices for that commodity persists.

TOP TEN PLATINUM PRODUCERS-2011 (in Kgs)

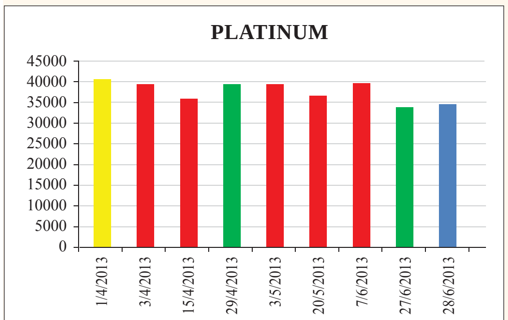
South Africa	145000
Russia	25000
Zimbabwe	10600
Canada	7000
United States of America	3700
Japan	1765
Columbia	1231
Botswana	600
Finland	400
Australia	130



CONTRACT SPECIFICATION

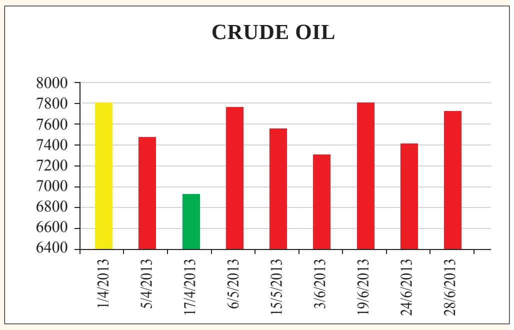
Name	Platinum
Symbol	PLT
Contract Size	1000
Unit	Gms
Price Quoted	NPR/10 Gms
Trading Hours	03:45 – 02:45
Quality	99.95% pure
Contract Months	Jan (F), Apr (J), Jul (N) & Oct (V)

Major Market Movers for Soybean and Wheat



Note:

Date	News
1/4/2013	Opening Price as of 1st April 2013
3/4/2013	Improvement in US Money Market
15/4/2013	Optimistic employment conditions, improving consumer market
29/4/2013	Strong technical buying
3/5/2013	Fed increasing the Asset Purchasing Program
20/5/2013	Strengthening of US Dollar Index
7/6/2013	Stronger fundamental vibes in the market
27/6/2013	Reduced demand due to the increased import duties
28/6/2013	Closing Price as of June 28 2013



Note:

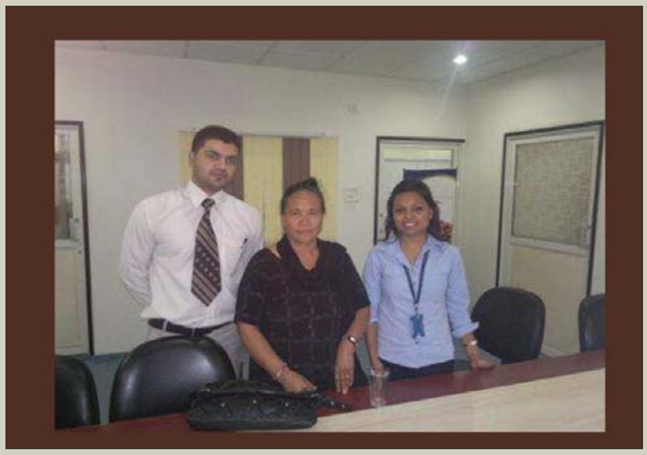
Date	News
1/4/2013	Opening Price as of 1st April 2013
5/4/2013	Weaker job data in USA
17/4/2013	Pessimism spread throughout the energy market
6/5/2013	Strong demand of crude oil
15/5/2013	Rise in the oil inventory
3/6/2013	Decrease in the demand of the crude oil
19/6/2013	US Federal Reserve Policy Meeting
24/6/2013	Stock reached 30-year high
28/6/2013	Closing Price as of 28th June 2013

TRAINING TO BROKERS & PROSPECTS



MEX CSR





Training to brokers & prospects

MEX Nepal as a leading Commodity Exchange in Nepal has launched the much awaited "**New Business Model**" based on pure **Order Matching System** with Complete Risk Mitigation & Management System in a brand new trading console. MEX brings the new "Trading Console" phase wise to its valuable brokers. In assistance to this MEX Nepal had provided several training programs to its precious brokers.

MEX Nepal provided a pre-launch training program for 4 Groups.

- On 25th - 26th April, 2013 there were 9 participants from MEX brokers
- On 29th - 30th April, 2013 there were 7 participants from MEX brokers
- On 2nd - 3rd May, 2013 there were 12 participants from MEX and NSE brokers
- On May 6, 2013 there were 2 participants from MEX brokers

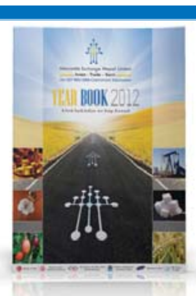
Besides this, MEX Nepal had also organized 4 other training programs. All of them were related to New Business Mechanism. The programs were focused on new prospects as well as Clearing Members' Management team as well. So far we have been able to provide training to 60 participants. As the mechanism that we have introduced is completely new in the Nepalese Commodity Market, we also provided training to other Exchange members like NDEX.

MEX CSR

As part of CSR activities this quarter, MEX Nepal has provided assistance to 3 different charitable organizations. On 2nd May 2013, MEX Nepal visited the charitable organization, **Rejoice and Salvation in Trinity Services**, in Lalitpur, and provided assistance of Rs. 50,000. The organization provides food and shelter to the orphans and single mothers. Currently, 56 orphans have been residing at the premises.

On 12th June 2013, MEX Nepal provided assistance of Rs. 35,000 to **Nepal Children's Organization (NCO)**, popularly known as Bal Mandir. NCO is a national organization committed to improving the lives of children throughout Nepal, enabling them to survive and succeed. It was established in 1964 as an autonomous non-government organization. NCO focuses on child care and education for orphaned, abandoned and conflict affected children; rehabilitation of dependent children of prisoners; promotion of children's rights; national and international adoption of children; educational support to children from low income families; and strengthening the capacity of its nationwide network.

Likewise on 12th June 2013, MEX Nepal provided assistance of Rs. 35,000 to **Rasuwa Langtang Liring Orphan Society**. The Rasuwa Langtang Liring Orphan Society was established in the year 2061 B.S. with the purpose of social services for children. Since its establishment, this society has been active in many social service programs and is registered with the 2061 B.S. District Authority (Regd. No. 241) as well as with the non-profit charity organization Samaj Kalyan Parisad (Regd. No.174831061).



Launch of MEX Year Book 2012

The **MEX Year Book 2012**, an annual publication of the exchange, was launched on 15th May 2013. The Year Book inculcated various experts' views from various walks of life. The Year Book also incorporated analysis of the various contracts being offered at the exchange. The new segment in the Year Book included the MEX Almanac, an analysis of the monthly news and announcements, which created a flutter in the commodity categories namely, precious, base, energy and agro-commodities. The Year Book was received well from the masses which paid high complimentary to the content and the effort of the exchange to simplify the sophistication regarding the commodity trading on paper.

NSE
NEPAL SPOT EXCHANGE

MEX-NSE Products and Trading Platform Merged

MEX Nepal is proud to announce the launch of much awaited "**New Business Model**" on **Monday 24th June, 2013** for Exclusive NSE brokers. There were 18 Exclusive NSE brokers who have already been migrated to the new trading platform. The Broker Code, AE Code & Client Code has been changed for these brokers as they were under NSE membership.

With the intention of providing a vast range of "**Futures**" and "**Spot**" Contracts, MEX Nepal and NSE products and trading platform has merged on Wednesday, June 12, 2013.

Global Impact of Quantitative Easing in Developed Economies: A Retrospective View

The term 'Quantitative Easing' has been one of the most discussed topics in the financial media circle. So, what is this Quantitative Easing? Why is there such a big hype about it in the financial circles?

Though 'Quantitative Easing' is a complex topic let us discuss the underlying basic principle in simple terms. 'Quantitative Easing' is a financial policy that is employed by a country's central bank to increase liquidity in the markets and in turn boost the growth of the economy. To achieve this, the Central Bank will infuse cash into the economy by purchasing assets from all the major Banks and financial institutions in the country. This will essentially provide a cash surplus to these banks that are suffering from a credit crunch. Now, these banks can lend this surplus money to cash-strapped borrowers in the economy. Since borrowing is made easier the interest rates will drop, causing consumers to spend more and businesses will start thriving again. As per the economic theories, increased spending means increase in consumption, which will in turn fuel the demand for goods and services. This results in an increase in production, creating more job opportunities. Ultimately, the intended result is to revitalize the ailing economy of a country.

Due to the global financial and economic crisis of 2008, the leading economies of the western world went into a deep recession, causing the unemployment rates soar and industrial growth to languish badly. Many countries in the world adopted a slew of stimulus packages in a bid to revive their ailing economies. And one among them is Quantitative Easing policy. So, the major world economies like USA, U.K, the Euro Zone, and Japan, employed Quantitative Easing (QE) with an intention to reboot economic growth by increasing liquidity. But, this QE apart from affecting their own economies also started to have a ripple effect all over the globe, affecting many emerging economies in the Asian world.

During the financial crisis, apart from these four advanced economies many emerging economies too employed QE like policies to prop up the demand in their fluctuating economies. While these emerging economies seem to have overcome the crisis with bright prospects of economic growth, the same is not the case with these four major economies and the other western countries. These countries are still battling with a sluggish economy, declining industrial outputs and modest improvement in their unemployment reports. This has forced them to persist with their QE stimulus packages to create more demand in their market and attempt to stimulate a growth in their declining industrial outputs.

Countries like US have increased their QE-phase cash infusion to larger doses as part of their third round of stimulus package. As a result of the previous two rounds of Quantitative Easing policies, the U.S Federal Reserve has increased its Treasury notes to 2.054 trillion dollars from a mere 700 to 800 billion dollars held before the recession set in. With the current unemployment rate still around 7.6%, the US federal Bank plans to further purchase around 40 billion dollars of mortgage-backed securities per month until unemployment rate declines below 6.5 percent.

Meanwhile, the European Central Bank (ECB) is reported to have pumped around 489 billion Euros into Eurozone in an effort to prop up the collapsing economies of many member countries. On the other hand, the U.K's QE policy is reported to have infused liquidity to the tune of 375 billion pounds with a goal of reviving its ailing economy. Lately, Japan struggling with fluctuating markets and stagnant economic growth has decided to further pump 1.4 trillion dollars into its economy in the next two years.

All of these economic stimulus packages had created a lot of liquidity in the western economies and markets. But, the market sentiments being dull in the western world with gloomy economic forecasts and near zero interest rates; it inevitably caused huge capital outflows towards other more promising economies. Since the emerging economies were having moderate growth and bullish markets, the western financial institutions invested huge capital in these markets to take advantage of the better returns and interest rates. Though this provided huge capital inflow to the emerging economies like Asian countries, it also inflated the debt in the balance sheets of their companies. Their companies kept increasingly borrowing the foreign capital that flowed from the countries in QE-phases. This has made these companies that previously had healthy debt to equity ratios more risk prone and vulnerable. This has placed them in a precarious position where they are now vulnerable to the future changes in interest rates in these countries and other western countries. This foreign capital inflow also put an additional pressure on inflation rates in emerging economies like India that were already struggling to rein in their spiraling inflation.

As a consequence of these inherent risks, in the recent week the world saw an unusual volatility in the currencies of India, Brazil and other emerging economies. This was indeed triggered by the fears of an early wind-up of the QE policies in developed nations like U.S. As the interest rates started rising, the bond markets in the U.S became more attractive. This caused the western institutional investors to pull out of their investments in debt assets of emerging economies, on a sudden and massive scale. This put a huge pressure on the exchange currency rates of these emerging economies and the world witnessed one of the most rapid intraday decline in the Asian currencies, especially in India whose INR touched a life time low of 58.98 against the USD. This has led the emerging economies, especially the BRICS nations, to criticize the countries with QE policies.

Apart from the effect on emerging nations the QE policy also had considerable effect on the prices of bullion and other commodities like the crude oil. The Gold and crude oil prices fluctuated due to the prospects of an early QE policy wind-up. History shows how the previous QE policies adopted by countries like Japan had adversely affected the Asian economies and had partly caused the Asian financial crisis in 1998. The countries with QE also form the global basket of reserve currency and hence play a major role in the fluctuations of the currencies of emerging economies. So, it would be in the best interest of global economy, if the countries pursued their QE stimulus packages with adequate caution and responsibility towards the Asian and other emerging economies of the world. One has to wait and watch, whether these countries' next round of QE policy, whose effects have already jeopardized the currencies of Asian and emerging economies, further cast them into a deep financial crisis.

Bir Bahadhur Dura
Executive Director
Fewa Trade

THE RACE OF SUPERPOWERS AND CURRENCY MANIPULATION -WILL CHINA TAKE OVER U.S?

It might not be morning tea news of many people preferably, the ongoing efforts of the nations to lord over the race of super powers. Yet, historians would always believe it as an event to discuss and remember as the first sign of the undeclared soft war. However, unlike previous wars, this won't be fought with hard power weapons like bombs and guns rather it would be the forces of unfair economic strategies, the soft power weapons. US has been the superpower amongst all the nations since long but the scenario suggests that China would leave no stone unturned to strip off the economic power of its competitor (United States) and thereafter enjoy the status of being Superpower economy of the entire world.

In pursuance of gaining the super power status, several nations have been adopting the policy of beggars thy neighbor that seeks to promote a home country's economy at the expense of another country. While this policy stands by with a secret weapon to destroy its rival country, China in no exception would allow itself to refrain from this opportunity, particularly, when Washington is finding hard to crack the nuts of its staggering unemployment problem accompanied by huge trade deficit which serves as the grave concern on the super power status of the US.

The data till April 2, 2013 suggest, US debt held by the public is approximately $11.959 trillion or to put it differently, 75% of GDP. Moreover, if we consider the intra-governmental debt too, then the total public debt would toll $16.805 trillion which is more than 100% of GDP. In addition, 47% of the debt held by the public is owned by foreign investors, the largest of which are the People's Republic of China and Japan, just over $1.1 trillion each. In the light above scenario, China can take some comfort in adopting beggars thy neighbor policy by deploying the exchange rate of their currency via buying a disproportional amount of dollars in order to keep their currency at a rate lower than it would be in a free market. This would allow them to produce export commodities at cheaper rate and thereafter, the commodities like consumer electronics, clothing and machinery would be highly demanded by the US. And therefore, it could "steal" manufacturing jobs from the United States by attracting companies with cheaper costs than would otherwise be available under freer market circumstances. However, prevailing wisdom may be wrong

Notwithstanding all, ` China also buys so many U.S. Treasury notes that it is now the largest lender to the U.S. Government. As of January 2013, the U.S. debt to China was $1.264 trillion, 23% of the total public debt. Many are concerned that this gives China political leverage over U.S. fiscal policy, since it could call off its loan.

Whatever may be the China's interest in buying treasury notes, but the predominant cause for which China is striving for is to widen the trade deficit for its rival US as its trade deficit with China will compel U.S. companies to either lower their costs or go out of business. To lower their costs, many companies have started outsourcing jobs to India and China, Vietnam being another favorite destination, adding to U.S. unemployment. Industries with high production and operational costs have simply dried up. US manufacturing, as measured by the number of jobs, declined 34% between 1998 and 2010. As these industries declined, so has the U.S. competitiveness too in the global marketplace.

Now let's look into the secret plot of China to destroy dollar hegemony. Currently,China is holding $3.2 trillion of US reserves which nearly accounts to one-fifth of US GDP and, OPEC countries which also hold substantial amount of dollar after China. Under these circumstances, if China & OPEC, who have been the perfect rivals of US, tend to convert their dollars into Euro, then there would be no way out for US dollars than to fall sharply overnights. Perhaps, falling dollar overnight or rapid dollar devaluation may lead to panic for those who deal in dollar. Therefore, all those who hold dollars would be bound to sell them at any cost. Here, the sellers which include: foreign governments who hold U.S. Treasuries, traders in exchange rate futures who trade the dollar versus other currencies, and individual investors would demand any other currency or assets than having dollars with them.

Apart from this, the biggest problem that US would have to suffer on account of the sharp fall in dollar is that it wouldn't be in a position to raise capital from selling treasury bonds as people would find it unreliable to be invested in.

In a nutshell, the race of superpowers though seems to be favoring China as the top candidate for the same, however, the sole triumph on economic front wouldn't be enough to decide the fate of superpowers rather it also requires the ability of a nation to build international cooperation with Rest of the World (ROW) in its foreign policy and most importantly, the ability to manipulate the international institutions like UN,World Bank, IMF etc. will be crucial to decide on the fate of superpowers.

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