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Investing in Commodity Markets by [Kiran Rawat](#)

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Commodity market are the markets which transacts business with commodities of all nature. Commodity market was meant for only agricultural products and that too for local market. Due to globalization, advance technology and increasing demand from consumers and competition from other players has made commodity market to go beyond the boundaries with regards to the commodity traded. Commodity markets mainly deals in the trading of gold, cotton, crude oil etc. Commodity market does not necessarily require to buy or sell the commodities but you can even make exchange of commodities too. Many items finished good, raw material are traded in this market. Commodity market works on certain principles. Firstly the trading has to be done only for standard products. Secondly the transaction takes place through a future contract. According to this contract the commodities will be sold or bought on a future date. However the price at which they are sold will be the price agreed during the contract. Similarly commodity marketing also makes use of another type of contract called spot contract. In this contract the goods are to be transferred as soon as the contract is made. However it has also been argued that the purpose of a spot contract is to exercise a future contract in due course of time. Some of the commodities investing market are commodity food market, commodity petroleum market and commodity fund investing. Commodity investing was initially received well only by a few sectors. Commodities investing were first restricted to the trade and exchange of commodities meant for regular and day to day use. However the awareness in the subsequent stages has brought all sectors into the manifold of commodity investing and has enabled speedy movements, transfer and transaction of goods and services. As an investor your chances of risks are very less if you choose to invest in commodity. Therefore the gains from commodity investing will be helpful for you to balance other losses due to other financial instruments in your portfolio. The chances of risks are lower because commodity investing primarily deals with diverse items. Moreover when the contracts are entered for a future date at the current time you can exercise reasonable care and see to it that the chances of risks are reduced or nil. The performance of commodity market can be monitored by analyzing the performance of bond and share market because in most cases a commodity market will perform well when the others don't perform and vice versa. It is therefore possible to easily predict the prices and make the contracts by considering the ups and downs in other markets. A prerequisite for this is that the assets in the commodity market should not be correlated with the stock and bond market.

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