



CAPITAL
STREET|FX

TRADING COMMODITY

Capademy Tutorial Series



What is the Commodity Market?

The commodity market is a marketplace for buying and selling primary products. Global commodity markets enable trade in about 100 primary commodities.

Commodities are categorized into two parts: Hard and Soft commodities. Hard commodities are basically natural resources that are extracted from the source of supply, such as (gold, crude oil). Soft commodities are agricultural products such as (wheat, coffee, soya bean.)

Types of Commodity Market

Agricultural commodity: Agricultural commodity is essential crops such as grains, sugar, cocoa, coffee, dairy products which arranges food for the people but some Agricultural commodities possess industrial applications. These commodities are an important part of our existence; they belong to the category of soft commodities.

The overall impact of the agricultural industry is huge, according to the data Food and Agricultural organization of the United Nations said that the economic value of the agricultural industry is more than 3 \$trillion. With the increase in the world population, agricultural commodities will play a huge and important role in decades ahead.

Energy commodity: Energy commodity comprises of crude oil used in shipment activities and manufacturing of plastics, natural gas which is used in electricity generation.

Metals commodity: Metal commodity consists of gold, silver, copper, which is used in making jewellery and many other industrial uses.

Functions of Commodity

1. A commodity market provides a definite place where the traders can do their transactions under some standard rules and regulations.
2. The commodity markets far different commodities make the adjustment between the demand for and supply of the respective commodities, which is necessary for the interests of industries and trade.
3. The commodity markets provide regular information regarding the cost of the commodities prevailing in the markets as well as their future trends. This is essential for taking decisions in the business world.

Characteristics of Commodity Market

1. It is an association of state individuals. There are rules and regulations for membership, depending on the constitution of the association.
2. There are some fixed rules and regulations for trading which are determined by the association itself. Those rules permit future trading, including speculation.
3. It has a great correlation with a stock exchange.

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How to Invest in Commodities?

Trading in commodities is a very simple process, but one should not try or start trading himself without getting proper knowledge about it. It is not feasible to start trading on our own because these instruments are very volatile. It is advisable to take enough training and knowledge from your broker before you start trading yourself.

There was a traditional method in which the traders used to call their brokers to place the order and then wait to get a call back from them. It was a very less efficient method. These days we have Online trading platforms in which we can trade ourselves irrespective of where we are or what we are doing. Just a few clicks and let the software do the work, here is the link to our online trading platform start your demo account today and get prepared to trade.

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