Name: **Enrolment No:**	UPES UNIVERSITY OF TOMORROW

UPES

End Semester Examination, May 2025

Course: Commodity Trading and Risk Management **Semester: IV**
Program: Integrated B.com- MBA **Time : 03 hrs.**
Course Code: FINC2059 **Max. Marks: 100**

Instructions:

SECTION A
10Qx2M=20Marks

S. No.		Marks	CO
Q 1. a)	Soft commodities typically include: A) Natural gas and crude oil B) Gold and silver C) Livestock and agricultural products D) Coal and iron ore	**2**	**CO1**
b)	Which of the following is NOT a type of market participant? A) Hedgers B) Speculators C) Arbitrageurs D) Tax collectors	**2**	**CO1**
c)	What is a key economic role of commodity markets? A) Controlling inflation B) Facilitating barter systems C) Price discovery and risk management D) Tax collection	**2**	**CO1**
d)	Price discovery in commodity markets refers to: A) Determining government subsidy B) Determining fair market value C) Fixing price floors D) Avoiding tariffs	**2**	**CO1**
e)	Which of the following is a major Indian commodity exchange? A) CME B) NYSE C) MCX D) ICE	**2**	**CO1**
f)	Which of these can significantly impact commodity prices? A) Fashion trends B) Geopolitical tensions C) Brand popularity D) Copyright laws	**2**	**CO1**
g)	VaR (Value at Risk) measures: A) Legal risk	**2**	**CO1**

	B) Maximum expected loss C) Tax default D) Credit score		
h)	SEBI regulates: A) Insurance sector B) Commodity trading in India C) International trade D) Employment policies	**2**	**CO1**
i)	CFTC is a regulator in: A) Europe B) India C) USA D) Japan	**2**	**CO1**
j)	Trade agreements can affect commodity prices by: A) Fixing interest rates B) Changing tariffs and duties C) Adjusting income taxes D) None of the above	**2**	**CO1**
SECTION B **4Qx5M= 20 Marks**			
Q 2.	Explain how supply and demand affect commodity prices.	**5**	**CO2**
Q 3.	What is credit risk? How does it apply to commodity markets?	**5**	**CO2**
Q 4.	How do international trade agreements influence commodity prices?	**5**	**CO2**
Q 5.	How do ESG factors influence commodity trading decisions?	**5**	**CO2**
SECTION-C **3Qx10M=30 Marks**			
Q 6.	Critique the reliability of fundamental versus technical analysis in predicting commodity price movements. OR Analyze how geopolitical tensions (e.g., war, trade embargoes) have historically impacted commodity prices—provide real-world examples.	**10**	**CO3**
Q 7.	Compare the advantages and disadvantages of spot trading versus futures trading in commodities.	**10**	**CO3**
Q 8.	Examine the interplay between macroeconomic indicators (inflation, interest rates, GDP growth) and commodity prices.	**10**	**CO3**
SECTION-D **2Qx15M= 30 Marks**			
Q 9.	Analyze the profit and loss potential of a bear spread versus a bull spread using gold futures when prices are highly volatile. Which strategy is more appropriate for a moderately bearish outlook, and why? Or	**15**	**CO4**

	Critically evaluate how margin requirements and liquidity constraints influence a trader’s decision to prefer a spread position over a directional futures position in agricultural commodities.		
Q 10.	A commodity trading firm holds a long position in 300 contracts of crude oil futures. The details are as follows: Current price per contract: ₹6,500 Daily return volatility (standard deviation): 1.8% Confidence level: 99% Z-score for 99% confidence = 2.33 Time horizon: 1 day (a) Calculate the total value of the crude oil futures position in INR. (b) Compute the 1-day VaR at the 99% confidence level using the variance-covariance method. (c) Briefly interpret the VaR value in the context of commodity risk management in Indian markets.	**15**	**CO4**