

Trading in Oil, Gold and Other Commodities

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WHAT IS

TRADING

?

Buying,
selling
goods for
profit.

Exchange
of goods
of equal
value.

History of Trading



The Evolution Of Man



Why is trading so important between countries?

Not all countries have the natural resources to be self sufficient in certain matters.

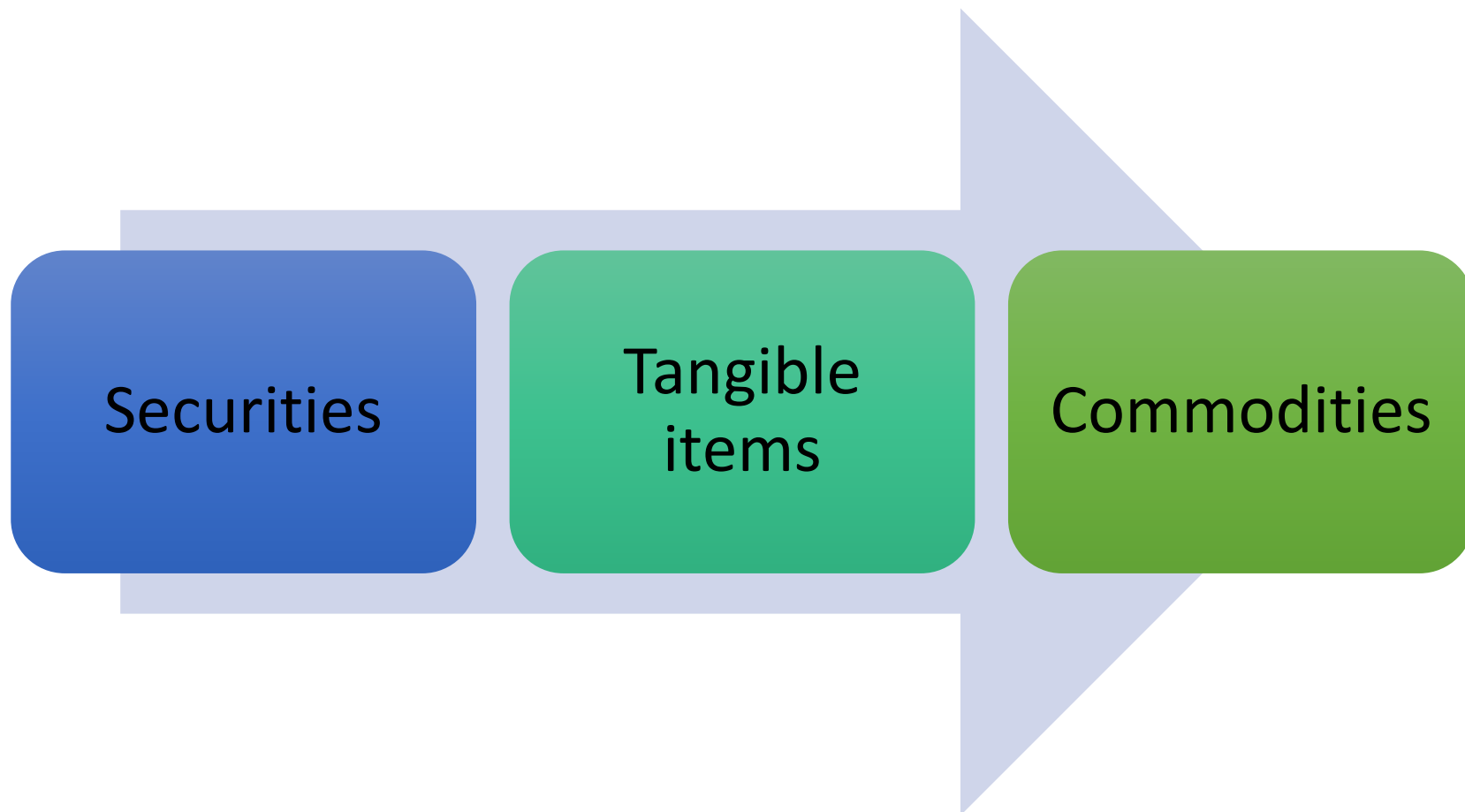
It is sometimes cheaper to buy from another country than to try to produce the good in their national territory.

Seasonal changes

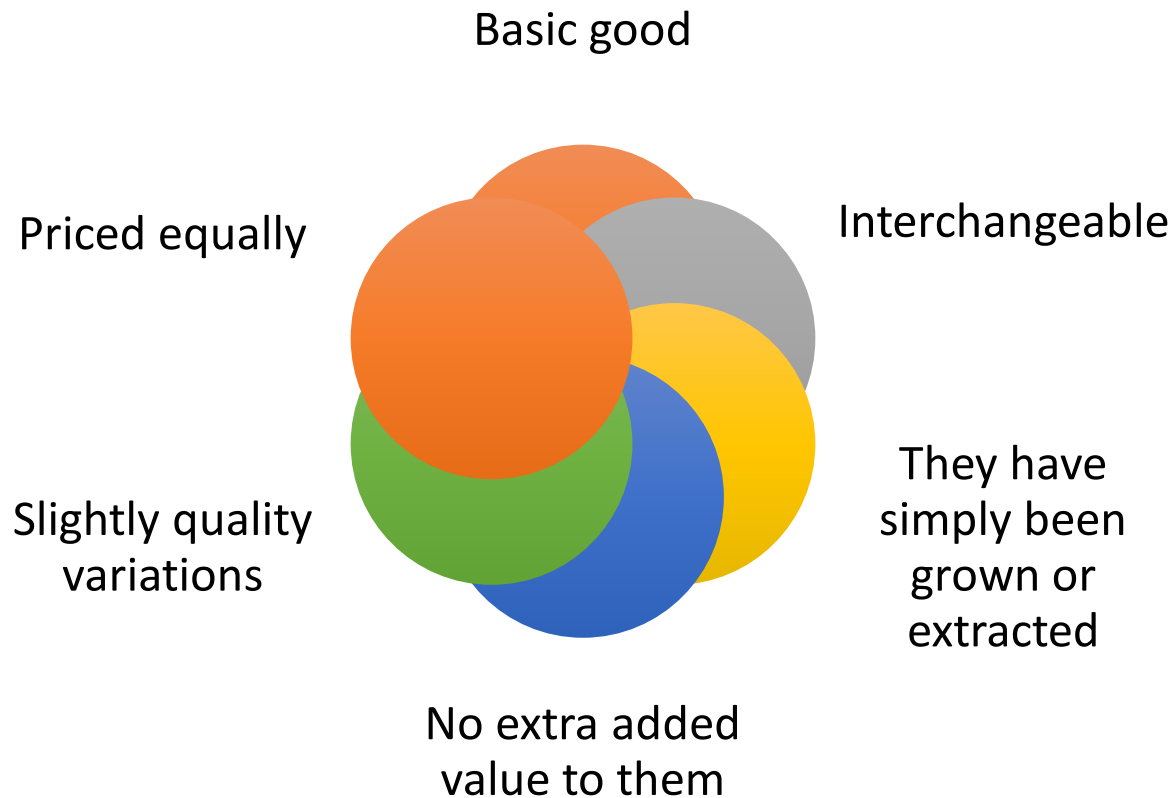
Quality



What can parties, people, countries trade?



What are *commodities*? + CHARACTERISTICS



Clasification of commmodities

Raw	Hard	Soft
Bought, sold or traded at a commoditie market	Natural resources, mined or extracted	Agricultural products Animal products



How do we trade commodities?

- **Commodities are traded in the commodity market.**
- **Future contracts: specific quantity, specific price, specific day delivery.**
- **There is no physical delivery at the moment the contract is made.**
- **Future brokers: Commodity futures are bought and sold through an account with a commodity futures broker.**
- **Trading future contracts**

Japan Case



No oil
reserves of
its own

Must
import all
it requires

World's
4th largest
consumer

Investing in commodities

Advantages:

1. Encourages a country to specialise in a primary good.
2. Production in higher volumes
3. Increase in quality
4. Employment

Disadvantages:

1. Over-specialisation
2. Loss of jobs when world demand falls
3. There is no growing from certain industries
4. Cheaper imports may destroy domestic market.
5. Volatile market



**GET STARTED
INVESTING**

Types of traders

Buyers and Producers:
Guarantee a predetermined cost at a predetermined time, usually before the basic good is processed.

Speculators:
Traders that profit from volatile price movements, they never intend to possess the commodity.



How commodities move the market...



- Oil leads the list of commodities that move the market.
- Oil is a key input on a variety of products we use daily.
- Gold indirectly follows movements in the market.
- Metals gain value during market downturns.
- Lumber influences directly on the housing market.
- Corn is among the most versatile and complex commodities. Single most important crop in the world.

Questions?



References

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