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CURRENCY DERIVATIVES- A STUDY

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ABSTRACT

A derivative is a collective name used for a broad class of financial instruments that derive their value from other financial instruments (known as the underlying), events or conditions. The foreign exchange markets of a country provide the mechanism of exchanging different currencies with one and another, and thus, facilitating transfer of purchasing power from one country to another. This paper attempts to understand the importance of Currency Derivatives and to identify different types of methods/techniques used to evaluate them.

Keywords: currency derivatives, financial instrument, forex market, stocks, bonds

Introduction

High economic growth and capital account liberalization led to increased currency exposure of both domestic entities and foreign counterparts, leading to a rise in the demand for risk management instruments for hedging exposure linked to real and financial flows. Currency hedging products thus emerged. Currently, the inter-bank forex market (spot, swap and forwards) has an average daily turnover of \$40 billion, of which spot forex trading volume is \$20 billion or 50% of the forex market volume. The balance 50% is accounted for by derivatives such as swaps and currency forwards. The global market is split in the ratio of 37:63 between the spot and the derivative market, whereas in India it is accounted to be 50:50 for the same in the OTC market. However, when we consider the recently launched exchange-traded currency derivatives, the equation falls in line with the global trend. The daily average turnover of this segment is roughly \$15 billion, which brings the daily average turnover of India to around \$55 billion. Now, the ratio between spot and derivatives stands roughly at 35:65.

Objectives of the study

- ✚ To study the importance of Currency Derivatives
- ✚ To study the different types of methods/techniques used to evaluate them.

Sources of data:

- ✚ Both primary and secondary were sourced for the study

Data Analysis and Interpretation

Each country has its own currency through which both national and international transactions are performed. All the international business transactions involve an exchange of one currency for another.

Foreign Exchange Quotations

Foreign exchange quotations can be confusing because currencies are quoted in terms of other currencies. It means exchange rate is relative price.

Exchange Rate

Direct	Indirect
The number of units of domestic Currency stated against one unit of domestic Currency	The number of unit of foreign Currency per unit of domestic of foreign currency.
Re/\$ = 54.0000 (or) \$1 = Rs. 54.9000	Re 1 = \$ 0.0185

There are two ways of quoting exchange rates: the direct and indirect. Most countries use the direct method. In global foreign exchange market, two rates are quoted by the dealer: one rate for buying (bid rate), and another for selling (ask or offered rate) for a currency. This is a unique feature of this market. It should be noted that where the bank sells dollars against rupees, one can say that rupees against dollar. In order to separate buying and selling rate, a small dash or oblique line is drawn after the dash.

For example,

If US dollar is quoted in the market as Rs 54.0000/.90000, it means that the forex dealer is ready to purchase the dollar at Rs 54.0000 and ready to sell at Rs 54.90000. The difference between the buying and selling rates is called spread.

It is important to note that selling rate is always higher than the buying rate. Traders, usually large banks, deal in two way prices, both buying and selling, are called market makers.

Numbers OF Currency Getting Traded

Options on USD-INR Spot Rate

Currency Options

Currency Options are contracts that grant the buyer of the option the right, but not the obligation, to buy or sell underlying currency at a specified exchange rate during a specified period of time. For this right, the buyer pays premium to the seller of the option.

Need for Exchange traded Currency Options

The need for Exchange traded currency options arises on account of the following reasons:

1. Options have the comparative advantage of maintaining a certain degree of flexibility in hedging, as, while protecting against a downside risk, they allow the investor from profiting from favorable movements of the foreign exchange rates by simply not exercising the option.
2. The exchange platform brings in all attendant benefits of transparency, finer spreads, access, safety, central counterparty, etc.

Underlying for USD-INR options

Underlying is US Dollar – Indian Rupee (US\$-INR) spot rate.

Type of options

USD-INR option contracts are Premium styled European Call and Put Options. trading hour and size of USD-INR options contract. The trading hours are from 9 a.m. to 5.00 p.m. on all working days from Monday to Friday and the contract Size is US\$ 1,000.

Quotation of USD-INR options

The premium is quoted in rupee terms. However, the outstanding position is in USD terms.

Contract cycle for USD-INR options

The contract cycle consists of three serial monthly contracts followed by three quarterly contracts of the cycle March/June/September/December.

Settlement mechanism for USD-INR options

USD-INR options contracts are cash settled in Indian Rupee.

Expiry/last trading day

The expiry / last trading day for the options contract is two working days prior to the last working day of the expiry month.

Settlement price is derived

The final settlement price is the Reserve Bank of India USD-INR Reference Rate on the date of expiry of the contracts.

Final settlement day

The options contract would expire on the last working day (excluding Saturdays) of the contract month. The last working day would be taken to be the same as that for Interbank Settlements in Mumbai. The rules for Interbank Settlements, including those for 'known holidays' and 'subsequently declared holiday' would be those as laid down by FEDAI.

Contracts be settled at expiry

On expiry date, all open long in-the-money contracts, on a particular strike of a series, at the close of trading hours would be automatically exercised at the final settlement price and assigned on a random basis to the open short positions of the same strike and series.

Initial Margin levied in USD-INR Options

The Initial Margin is based on a worst scenario loss of a portfolio of an individual client comprising his positions in options and futures contracts on the same underlying across different maturities and across various scenarios of price and volatility changes. In order to achieve this, the price range for generating the scenarios is 3.5 standard deviation and volatility range for generating the scenarios is 3%. The initial margin is deducted from the liquid net-worth of the clearing member on an online, real time basis. The sigma is calculated using the methodology specified for currency futures in SEBI circular no. SEBI/DNPD/Cir-38/2008 dated August 06, 2008 and is the standard deviation of daily returns of USD-INR futures price.

Extreme Loss margin

Extreme loss margin of 1.5% of the notional value of the open short option position is deducted from the liquid assets of the clearing member on an on line, real time basis. Notional Value is calculated on the basis of the latest available Reserve Bank Reference Rate for USD-INR.

Net Option Value

The Net Option Value is the current market value of the option times the number of options (positive for long options and negative for short options) in the portfolio. The Net Option Value is added to the Liquid Net Worth of the clearing member. Thus, mark to market gains and losses is not settled in cash for options positions.

Calendar Spread Margin levied on USD-INR Options

A long currency option position at one maturity and a short option position at a different maturity in the same series, both having the same strike price is treated as a calendar spread. The margin for options calendar spread is same as specified for USD-INR currency futures calendar spread.

The calendar spread margin is calculated on the basis of delta of the portfolio in each month. A portfolio consisting of a near month option with a delta of 100 and a far month option with a delta of -100 would bear a spread charge equal to the spread charge for a portfolio which is long 100 near month currency futures and short 100 far month currency futures.

Premium paid by the buyer is settled

Premium is paid by the buyer in cash and paid out to the seller in cash on T+1 day. Until the buyer pays in the premium, the premium due is deducted from the available Liquid Net Worth on a real time basis.

Position Limit at Client level

The gross open positions of the client across all contracts (both futures and options contracts) not to exceed 6% of the total open interest or USD 10 million whichever is higher. The Exchange disseminates alerts whenever the gross open position of the client exceeds 3% of the total open interest at the end of the previous day's trade.

Position Limit at Trading Member level

The gross open positions of the trading member across all contracts (both futures and options contracts) not to exceed 15% of the total open interest or USD 50 million whichever is higher

Position Limit for Banks

The gross open positions of the bank across all contracts (both futures and options contracts) not to exceed 15% of the total open interest or USD 100 million whichever is higher

Position Limit at Clearing Member level

No separate position limit is prescribed at the level of clearing member. However, the clearing member ensures that his own trading position and the positions of each trading member.

Table

Date	Open	High	Low	Close	LTP	Turnover in lakhs	OI
24-Dec-12	56.01	56.035	55.765	55.7925	55.81	5289.65	178790
26-Dec-12	55.92	55.925	55.61	55.6475	55.65	13371.31	184591
27-Dec-12	55.5625	55.735	55.51	55.725	55.73	12156.49	193669
28-Dec-12	55.645	55.6875	55.52	55.6	55.6075	12065.6	202890
31-Dec-12	55.5675	55.695	55.43	55.6425	55.685	17885.61	220050
1-Jan-13	55.5175	55.6575	55.4175	55.5225	55.46	12633.78	222790
2-Jan-13	55.195	55.2725	54.98	55.075	55.08	15170.36	226011
3-Jan-13	55	55.2825	55	55.2325	55.2	13540.31	234882
4-Jan-13	55.4725	55.88	55.44	55.825	55.8375	20139.24	239961
7-Jan-13	55.6725	56.02	55.61	55.9575	55.965	9785.66	245125
8-Jan-13	55.8475	56.08	55.705	55.7175	55.71	20890.82	250525
9-Jan-13	55.7	55.7625	55.4625	55.53	55.51	19645.4	258481
10-Jan-13	55.48	55.4975	55.285	55.31	55.305	17366.67	256466
11-Jan-13	55.115	55.485	55.095	55.4525	55.41	23490.97	264670
14-Jan-13	55.405	55.49	55.08	55.12	55.135	23040.29	274000
15-Jan-13	55.1	55.31	54.99	55.2175	55.235	17415.45	279144
16-Jan-13	55.35	55.53	55.3125	55.37	55.35	19560.94	284515



Date	Open	High	Low	Close	LTP	Turnover in lakhs	OI
17-Jan-13	55.345	55.4075	54.82	54.9525	54.94	45576.94	288876
18-Jan-13	54.8125	54.8125	54.38	54.41	54.3825	39374.25	292603
21-Jan-13	54.3425	54.57	54.27	54.4875	54.41	36098.29	296870
22-Jan-13	54.2075	54.3875	53.97	54.29	54.3	34527.63	296200
23-Jan-13	54.23	54.42	54.11	54.1675	54.1725	24060.69	303006
24-Jan-13	54.26	54.4	54.11	54.2125	54.2125	27151.78	315432
28-Jan-13	54.375	54.4625	54.26	54.4525	54.4575	91119.66	355442
29-Jan-13	54.455	54.5025	54.0325	54.3	54.325	67383.26	391442
30-Jan-13	54.25	54.325	53.7625	53.7975	53.785	80806.65	395803
31-Jan-13	53.8	53.85	53.52	53.665	53.675	58002.72	391641
1-Feb-13	53.67	53.88	53.6525	53.71	53.6875	52706.35	397533
4-Feb-13	53.625	53.75	53.355	53.7125	53.75	55785.47	409114
5-Feb-13	53.87	53.92	53.57	53.6	53.6	73013.18	422703
6-Feb-13	53.34	53.695	53.34	53.6525	53.6525	41129.08	432521
7-Feb-13	53.54	53.77	53.5	53.695	53.68	67062.55	464927
8-Feb-13	53.78	54.1	53.78	54.015	54	81257.12	489665
11-Feb-13	54.105	54.2475	54.0325	54.215	54.24	65110.44	517865
12-Feb-13	54.3275	54.505	54.24	54.2975	54.285	130094.62	590718
13-Feb-13	54.2	54.2975	54.15	54.2	54.24	89198.6	602350
14-Feb-13	54.16	54.3275	54.1175	54.285	54.29	81269.37	613272
15-Feb-13	54.45	54.62	54.2175	54.585	54.61	152758.43	676351
18-Feb-13	54.7	54.7575	54.565	54.595	54.5775	199065.93	773888
20-Feb-13	54.4825	54.5175	54.3725	54.45	54.46	222476.14	914524
21-Feb-13	54.65	54.955	54.6375	54.845	54.8225	274912.66	1040246
22-Feb-13	54.87	54.8875	54.54	54.5775	54.5725	251959.91	1170541
25-Feb-13	54.5475	54.5725	54.155	54.1775	54.1575	645500.11	1486811
26-Feb-13	54	54.6	53.815	54.4425	54.4325	1510146.41	1768754
27-Feb-13	54.36	54.36	53.9025	54.165	54.175	1792459.34	1781995
28-Feb-13	54.005	54.81	53.8425	54.7275	54.71	2607668.13	1736225
1-Mar-13	54.945	55.2675	54.7275	55.2425	55.2425	1988485.83	1896672
4-Mar-13	55.4	55.445	55.1225	55.16	55.1775	1647463.27	1832505
5-Mar-13	55.155	55.1825	54.895	55.1575	55.155	1384923.82	1832483
6-Mar-13	55.0225	55.155	54.9	54.9975	54.9925	1376419.14	1754545
7-Mar-13	55.06	55.145	54.745	54.795	54.8025	1369996.7	1705047
8-Mar-13	54.75	54.7875	54.51	54.5375	54.5375	1103184.26	1709979
11-Mar-13	54.64	54.72	54.3525	54.62	54.63	1575559.31	1696780
12-Mar-13	54.52	54.5925	54.36	54.415	54.37	1487410.92	1565542
13-Mar-13	54.39	54.5375	54.2525	54.505	54.4875	1323921.43	1545642
14-Mar-13	54.5325	54.68	54.3125	54.5	54.53	1645837.18	1492834
15-Mar-13	54.37	54.37	54.1175	54.195	54.195	1279825.16	1470716
18-Mar-13	54.44	54.4875	54.225	54.2975	54.275	1096655.39	1360803
19-Mar-13	54.15	54.5925	53.98	54.48	54.4825	2203091.66	1330818
20-Mar-13	54.6025	54.65	54.35	54.445	54.455	1237079.95	1216722

Average opening price of 3 months	= 53.80816
High price of 3 Months	= 56.01
Low price of 3 Months	= 53.34
Average Closing of 3 months	=53.79947

Interpretation

No difference between Average opening price of 3 Month & Average closing of 3 months. High price of 3 month was 56.01 & low of 3 month was 53.34. The difference between high & low was (56.01-53.34 = 2.67).

Table

Date	Open	High	Low	Close	LTP	Turnover in lakhs	OI
24-Dec-12	73.5	73.5	73.3275	73.46	73.46	53.57	896
26-Dec-12	73.4	73.4	73.125	73.24	73.24	61.54	972
27-Dec-12	73.3975	73.6	73.3975	73.6	73.6	7.35	980
28-Dec-12	73.42	73.42	72.95	72.98	72.95	168.42	1105
31-Dec-12	73.1	73.2	72.83	73.085	73.2	499.51	1555
1-Jan-13	73.07	73.3075	73.07	73.2975	73.2975	155.96	1639
2-Jan-13	73	73	72.7	72.7075	72.7	105.65	1573
3-Jan-13	72.2	72.355	72.15	72.16	72.15	127.11	1608
4-Jan-13	72.15	72.45	72.0825	72.3925	72.375	293.08	1899
7-Jan-13	72.5	72.815	72.4525	72.73	72.73	85.72	1989
8-Jan-13	73	73.3525	72.8625	72.895	72.8625	819.02	2087
9-Jan-13	72.69	72.7	72.32	72.35	72.32	897.04	2414
10-Jan-13	72.1	72.35	72.03	72.3125	72.3	135.81	2378
11-Jan-13	72.8275	73.35	72.815	73.31	73.25	894.76	3043
14-Jan-13	73.75	74.0475	72.99	73.4125	73.41	1024.32	3792
15-Jan-13	72.66	73.61	72.66	73.4525	73.4525	234.93	3925
16-Jan-13	73.4125	73.6	73.3	73.5175	73.5	276.93	3867
17-Jan-13	74.265	74.265	72.96	73.1525	73.1	1308.42	3716
18-Jan-13	73	73.0075	72.44	72.495	72.44	869.77	3697
21-Jan-13	72.3	72.515	72.1	72.2625	72.2	620.37	3841
22-Jan-13	71.9	72.37	71.7625	72.3075	72.3	1052.03	4293
23-Jan-13	72.1	72.2325	71.9225	72.0575	72.0575	286.16	4315
24-Jan-13	72.1	72.35	71.9	72.08	72.0775	523.13	4424
28-Jan-13	72.27	73.0975	72.27	73.01	72.99	2251.97	6209
29-Jan-13	72.9925	73.065	72.51	72.7725	72.8025	4015.17	7296
30-Jan-13	72.7025	72.9	72.62	72.8575	72.785	5298.98	10580
31-Jan-13	72.82	72.85	72.5125	72.54	72.56	3550.67	11597
1-Feb-13	72.76	73.2475	72.76	73.1275	73.0975	4362.55	13371
4-Feb-13	72.84	72.84	72.5675	72.7275	72.7875	4460.66	12886
5-Feb-13	72.5525	72.5975	72.28	72.55	72.5875	4259.96	13897
6-Feb-13	72.41	72.63	72.2775	72.5125	72.5	5737.47	15432
7-Feb-13	72.3	72.84	72.15	72.7525	72.74	8480.83	17555
8-Feb-13	72.2	72.5	72.1475	72.3225	72.3475	8059.52	15748
11-Feb-13	72.24	72.485	72.17	72.455	72.485	5408.86	18441

Date	Open	High	Low	Close	LTP	Turnover in lakhs	OI
12-Feb-13	72.5875	72.99	72.535	72.95	72.9325	9281.28	22372
13-Feb-13	72.75	72.9975	72.7375	72.9175	72.995	4854.01	23443
14-Feb-13	72.7725	72.8975	72.195	72.2575	72.265	12978.27	22220
15-Feb-13	72.42	72.6875	72.3225	72.65	72.68	7089.7	21553
18-Feb-13	72.76	72.94	72.665	72.755	72.74	7281.76	23593
20-Feb-13	72.93	73	72.795	72.81	72.825	17088.47	31792
21-Feb-13	72.52	72.65	72.2	72.225	72.2	18773.61	30072
22-Feb-13	72.3725	72.4	71.81	71.87	71.8625	19729.71	38755
25-Feb-13	71.85	71.9	71.6175	71.835	71.8175	20014.44	43715
26-Feb-13	71.4125	71.6	70.87	71.24	71.205	52907.47	41893
27-Feb-13	71.0425	71.0425	70.52	70.8975	70.945	48276.28	43623
28-Feb-13	70.8875	71.835	70.7625	71.735	71.8	45212.86	40499
1-Mar-13	71.8525	71.995	71.55	71.94	71.9225	36264.22	39143
4-Mar-13	72	72.115	71.605	71.6475	71.65	35516.38	38479
5-Mar-13	71.8125	71.895	71.5525	71.845	71.835	30604.8	38966
6-Mar-13	71.8275	71.95	71.64	71.67	71.6875	28590.54	39353
7-Mar-13	71.5125	71.595	71.2	71.3025	71.315	39628.44	40637
8-Mar-13	71.65	71.745	71.385	71.5525	71.5625	40872.11	33575
11-Mar-13	71.15	71.3775	70.7225	70.9775	71	51811.68	32245
12-Mar-13	70.9825	71.0375	70.73	70.7925	70.735	29651.63	33175
13-Mar-13	70.8425	71.04	70.7375	70.8575	70.8425	28942.9	32775
14-Mar-13	70.74	70.8125	70.33	70.4425	70.46	41851.77	35103
15-Mar-13	70.6775	70.89	70.5525	70.795	70.76	44479.23	36748
18-Mar-13	70.4	70.595	69.5625	70.325	70.3025	47074.46	39714
19-Mar-13	70.165	70.625	69.95	70.54	70.545	51095.27	31031
20-Mar-13	70.35	70.405	70.04	70.335	70.33	38808.42	26730

Average opening price of 3 months = 71.0852
 High price of 3 Months = 74.2
 Low price of 3 Months = 69.25
 Average Closing of 3 months =71.08279

Interpretation

No difference between Average opening price of 3 Month & Average closing of 3 months. High price of 3 month was 74.2 & low of 3 month was 69.25 the difference between high & low was (74.2-69.25=5).

Table

Date	Open	High	Low	Close	LTP	Turnover in lakhs	OI
24-Dec-12	89.7725	89.835	89.75	89.82	89.82	46.67	391
26-Dec-12	89.565	89.565	89.38	89.38	89.38	8.95	389
27-Dec-12	89.3	89.875	89.1625	89.855	89.8375	63.45	432
28-Dec-12	89.23	89.23	89.18	89.18	89.18	15.16	438
31-Dec-12	89.2525	89.5825	89.06	89.565	89.495	18.74	449
1-Jan-13	89.55	89.7775	89.5	89.7775	89.7775	136.12	596
2-Jan-13	89.555	89.7	89.3	89.37	89.3	100.21	565



Date	Open	High	Low	Close	LTP	Turnover in lakhs	OI
3-Jan-13	89.1	89.16	89	89.0125	89	33.86	529
4-Jan-13	88.98	89.07	88.95	89.07	89.07	52.5	500
7-Jan-13	88.92	89.6	88.92	89.535	89.535	21.43	509
8-Jan-13	89.8	89.98	89.255	89.255	89.255	80.66	522
9-Jan-13	89.05	89.135	88.8	88.8	88.8	43.6	474
10-Jan-13	88.4	88.5875	88.35	88.5875	88.5875	710.29	729
11-Jan-13	88.6725	89.2425	88.6725	89.225	89.05	269.66	958
14-Jan-13	89.05	89.05	88.5975	88.615	88.615	35.5	935
15-Jan-13	88.5	88.5	88.35	88.35	88.35	5.3	935
16-Jan-13	88.7	88.7	88.65	88.65	88.65	3.55	935
17-Jan-13	88.255	88.255	87.6	87.7275	87.7825	241.19	1083
18-Jan-13	87.0525	87.15	86.4975	86.53	86.4975	179.49	1074
21-Jan-13	86.1375	86.35	86.1375	86.195	86.195	91.42	1069
22-Jan-13	84.5	85.915	84.5	85.91	85.915	128.52	1049
23-Jan-13	85.65	85.9625	85.6025	85.6875	85.6875	30.03	1051
24-Jan-13	85.7975	85.9475	85.5825	85.6	85.6	17.15	1052
28-Jan-13	85.59	85.6575	85.255	85.3925	85.3525	153.05	1043
29-Jan-13	85.2	85.4275	84.7	85.21	85.22	839.06	1542
30-Jan-13	84.92	84.975	84.61	84.6925	84.665	1826.05	2264
31-Jan-13	84.76	85.06	84.4225	84.59	84.55	1180.31	2320
1-Feb-13	84.9775	85.305	84.55	84.8	84.82	917.27	2291
4-Feb-13	84.15	84.68	83.67	84.345	84.385	1491.03	2524
5-Feb-13	84.5975	84.675	84.3025	84.3625	84.3775	1042.91	2935
6-Feb-13	83.52	84.005	83.5	83.9175	83.91	1133.5	2680
7-Feb-13	83.78	84.54	83.63	84.2575	84.25	2140.09	3861
8-Feb-13	84.5375	85.045	84.53	84.985	84.98	1175.28	4002
11-Feb-13	85.31	85.445	84.8	84.9675	84.985	1533.05	4577
12-Feb-13	84.925	85.1175	84.54	84.585	84.5525	1652.25	4820
13-Feb-13	84.7525	84.995	84.03	84.1575	84.25	2558.83	5188
14-Feb-13	83	84.18	83	84.0525	84.0475	1128.77	5180
15-Feb-13	84.0475	84.485	84	84.42	84.4475	1746.08	4987
18-Feb-13	84.9	84.9	84.21	84.35	84.34	1905.14	4982
20-Feb-13	84	84.09	83.17	83.2375	83.26	4887.21	6972
21-Feb-13	83.3375	83.5925	82.8075	83.4575	83.45	6137.67	7076
22-Feb-13	83.55	83.7575	83.12	83.205	83.25	6353.04	8908
25-Feb-13	82.4575	82.46	82.005	82.045	82.005	15714.56	14055
26-Feb-13	82.15	82.87	82.15	82.6825	82.5625	31012.15	11047
27-Feb-13	82.1725	82.1725	81.4	82.005	82.05	27090.88	12546
28-Feb-13	81.805	83.1975	81.7	83.0975	83.06	22276.12	12952
1-Mar-13	83.31	83.55	82.7975	82.9975	82.98	27512.81	12455
4-Mar-13	83.115	83.2925	82.84	82.9225	82.9575	20044.17	12791
5-Mar-13	83.38	83.6275	83.01	83.565	83.5925	26297.37	13076
6-Mar-13	83.2875	83.375	82.9125	82.9725	82.98	23719.48	12026
7-Mar-13	82.575	82.6925	82.0525	82.1775	82.23	22026.69	13083
8-Mar-13	82.155	82.2	81.83	81.995	82.035	13539.23	13059

Date	Open	High	Low	Close	LTP	Turnover in lakhs	OI
11-Mar-13	81.63	81.6475	81.19	81.2925	81.32	21314.04	16345
12-Mar-13	81.255	81.34	80.815	80.9225	80.89	29023.86	17663
13-Mar-13	81.1925	81.65	81.05	81.5425	81.5475	26657.11	15642
14-Mar-13	81.81	81.81	81.105	81.435	81.46	22298.81	13382
15-Mar-13	81.8925	82.2925	81.735	82.14	82.15	20825.22	13655
18-Mar-13	82.2	82.2675	81.93	82.1225	82.0875	17669.74	12172
19-Mar-13	81.8625	82.49	81.53	82.3925	82.4	26043.55	12967
20-Mar-13	82.455	82.5725	81.8975	82.375	82.3575	30690.55	11794

Average opening price of 3 months = 83.89098
 High price of 3 Months = 89.98
 Low price of 3 Months = 80.815
 Average Closing of 3 months = 83.89123

Interpretation

No difference between Average opening price of 3 Month & Average closing of 3 months. High price of 3 month was 89.98 & low of 3 month was 80.815. the difference between high & low was (89.98-80.815=9.15).

Table

Date	Open	High	Low	Close	LTP	Turnover in lakhs	OI
24-Dec-12	0	0	0	66.2	66.2	0	1
26-Dec-12	65.1	65.1	64.75	64.94	64.94	1.95	3
27-Dec-12	64.85	64.85	64.85	64.85	64.85	1.95	5
28-Dec-12	64.5	64.57	64.5	64.57	64.57	1.29	5
31-Dec-12	63.48	66.4	63.48	64.94	66.4	1.3	5
1-Jan-13	63.495	64.15	63.495	64	64	4.48	9
2-Jan-13	63.46	63.46	63.0025	63.0475	63.0025	13.26	24
3-Jan-13	63.35	63.45	63.185	63.185	63.185	2.53	27
4-Jan-13	63.1	63.1	63.1	63.1	63.1	0.63	27
7-Jan-13	63.2325	63.6775	63.2325	63.6775	63.6775	5.72	25
8-Jan-13	63.95	64	63.5975	63.5975	63.5975	8.31	37
9-Jan-13	63.65	63.65	63.175	63.45	63.45	30.43	46
10-Jan-13	63.01	63.01	62.5475	62.6025	62.6025	30.77	41
11-Jan-13	62	62.35	61.8625	62.3025	62.25	11.18	47
14-Jan-13	61.7025	62.015	61.51	61.6225	61.62	59.31	103
15-Jan-13	61.6	62.175	61.6	61.99	61.99	62.52	148
16-Jan-13	62.5925	63	62.5925	62.6775	62.6725	76.61	200
17-Jan-13	62.5975	62.6	61.2675	61.45	61.45	152	192
18-Jan-13	61	61.0925	60.3775	60.62	60.475	67.27	208
21-Jan-13	60.5	60.93	60.4375	60.81	60.78	61.36	228
22-Jan-13	60.285	61.35	60	61.1	61.1	96.12	243
23-Jan-13	61.33	61.5575	60.795	61.22	61.255	81.62	280
24-Jan-13	61.25	61.915	60.4225	60.455	60.455	195	334



Date	Open	High	Low	Close	LTP	Turnover in lakhs	OI
28-Jan-13	59.8	60.1475	59.7	60.085	60.05	1046.49	1369
29-Jan-13	59.795	60.14	59.605	60.1	60.14	1355.24	1332
30-Jan-13	59.7	59.7	58.9175	58.965	58.9325	1558.49	1203
31-Jan-13	59.1975	59.32	58.92	58.9875	59.01	884.77	1312
1-Feb-13	58.9	58.9	58.2475	58.32	58.34	614.01	1439
4-Feb-13	57.78	57.915	57.525	57.8575	57.91	879.19	1767
5-Feb-13	59.1875	59.1875	57.5	57.67	57.51	1290.12	2157
6-Feb-13	57.13	57.4	56.97	57.3375	57.315	1189.39	2197
7-Feb-13	57.38	57.52	57.2225	57.25	57.235	876.08	2095
8-Feb-13	57.54	58.615	57.54	58.4325	58.46	1932.22	2341
11-Feb-13	58.525	58.6	58.01	58.11	58.15	1325.14	2165
12-Feb-13	57.89	57.9875	57.56	57.6225	57.6225	1329.73	2265
13-Feb-13	58.1975	58.45	57.8175	57.92	57.94	1629.26	2008
14-Feb-13	58.0175	58.335	57.8375	58.2725	58.32	1004.66	2174
15-Feb-13	57.8625	58.94	57.8625	58.8875	58.895	1671.91	2359
18-Feb-13	58.2	58.3	58.0325	58.1175	58.115	2815.01	2880
20-Feb-13	58.25	58.44	58.165	58.195	58.2175	1495.32	3087
21-Feb-13	58.4	58.9975	56.45	58.9475	58.9225	3433.96	3964
22-Feb-13	58.85	58.8875	58.4125	58.5125	58.565	5286.45	5847
25-Feb-13	58.14	58.14	57.63	57.8225	57.78	9894.11	9063
26-Feb-13	58.435	59.73	58.435	59.1925	59.1725	46428.41	11375
27-Feb-13	59.08	59.15	58.76	59.11	59.1125	27530.85	12645
28-Feb-13	58.4875	59.485	58.325	59.3925	59.3575	33702.13	11292
1-Mar-13	59.35	59.53	59.11	59.465	59.4525	18384.89	11843
4-Mar-13	59.3775	59.39	58.93	59.0025	59.0175	25676.01	10407
5-Mar-13	59.1775	59.24	58.9525	59.2075	59.2	14691.58	11102
6-Mar-13	59.055	59.075	58.8275	58.8875	58.865	15381.09	12175
7-Mar-13	58.74	58.7475	58.14	58.215	58.24	18117.3	13904
8-Mar-13	57.5	57.5	57.0225	57.0625	57.06	27596.63	20669
11-Mar-13	56.81	56.9875	56.64	56.9125	56.9075	20087.84	24597
12-Mar-13	56.5	57.1175	56.4	56.8725	56.78	38115.17	21617
13-Mar-13	56.81	57.075	56.7	57.0275	57.03	21478.9	22600
14-Mar-13	56.9025	57.04	56.345	56.5775	56.58	25406.57	23290
15-Mar-13	56.5925	56.66	56.36	56.465	56.46	19858.29	24041
18-Mar-13	57.26	58	57.115	57.2	57.17	34929.43	17243
19-Mar-13	56.695	57.2975	56.5125	57.1875	57.17	26056.4	17226
20-Mar-13	57.5	57.5025	57.0525	57.085	57.08	16434.43	16037

Average opening price of 3 months = 83.89098
High price of 3 Months = 89.98
Low price of 3 Months = 80.815
Average Closing of 3 months = 83.89123

Interpretation

No difference between Average opening price of 3 Month & Average closing of 3 months. High price of 3 month was 66.4 & low of 3 month was 57.25. the difference between high & low was $(66.4-57.25=8.15)$.

Conclusions

1. By far the most significant event in finance during the past decade has been the extraordinary development and expansion of financial derivatives...These instruments enhances the ability to differentiate risk and allocate it to those investors most able and willing to take it- a process that has undoubtedly improved national productivity growth and standards of livings.
2. The currency future gives the safe and standardized contract to its investors and individuals who are aware about the fore market or predict the movement of exchange rate so they will get the right platform for the trading in currency future. Because of exchange traded future contract and its standardized nature gives counter party risk minimized.
3. Initially only NSE had the permission but now BSE and MCX has also started currency future. It is shows that how currency future covers ground in the compare of other available derivatives instruments.
4. Not only big businessmen and exporter and importers use this but individual who are interested and having knowledge about fore market they can also invest in currency future.
5. Exchange between USD-INR markets in India is very big and these exchange traded contract will give more awareness in market and attract the investors.
6. Currency Future need to change some restriction it imposed such as cut off limit of 5 million USD, Ban on NRI's and FII's and Mutual Funds from Participating.
7. Now in exchange traded currency future segment only one pair USD-INR is available to trade so there is also one more demand by the exporters and importers to introduce another pair in currency trading. Like POUND-INR, CAD-INR etc.
8. In OTC there is no limit for trader to buy or short Currency futures so there demand arises that in Exchange traded currency future should have increase limit for Trading Members and also at client level, in result OTC users will divert to Exchange traded currency Futures.
9. In India the regulatory of Financial and Securities market (SEBI) has Ban on other Currency Derivatives except Currency Futures, so this restriction seem unreasonable to exporters and importers.
10. According to Indian financial growth now it's become necessary to introducing other currency derivatives in Exchange traded currency derivative segment.

References:

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