A Newsletter of Finance Lab

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Indian Institute of Management Calcutta

Table 2

Company	Trade	% Trade

Data Source: The Financial Research and Trading Laboratory, IIM Calcutta

Table 3

Company	Trade	% Trade
SBI	836	0.3%
Infosys	348	0.7%
Reliance	1500	0.6%
L&T	509	0.4%
ITC	2880	1.0%
Wipro	583	1.0%
ICICI Bank	1000	0.6%
Axis Bank	500	0.6%
Ultratech	46	3.7%
TCS	400	1.3%

Data Source: The Financial Research and Trading Laboratory, IIM Calcutta

We, therefore, observe that trades are regularly split to minimize trading costs and the slicing is automated. Large traders invest significant sum of money in getting high speed machines, servers, pro
market is a question yet to be answered.

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Prof. Partha Ray

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account the important amendments in December 2012 to the Banking Regulation Act, 1949. More recently, on February 22, 2013, the Reserve Bank of India (RBI) has released guidelines for licensing of new private sector banks.

The Key features of the new policy are as follows:[3]

Eligible Promoters: Entities / groups in the private sector, entities in public sector and Non-Banking Financial Companies (NBFCs) shall be eligible to set up a bank through a wholly-owned Non-Operative Financial Holding Company (NOFHC).

'Fit and Proper' criteria: Entities / groups should have a past record of sound credentials and integrity, be financially sound with a successful track record of 10 years.

Corporate structure of the NOFHC:

Besides, existing NBFCs, if considered eligible have been permitted to promote a new bank or convert themselves into banks.

Going forward, applications for floating banks need to be submitted to the RBI by July 1, 2013. While in the first stage, the applications will be screened by the RBI, subsequently

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Gold is one of the most traded precious metals while oil is the most traded raw material. They play an important role in any economy. Typically, Gold and Crude Oil prices tend to move together and have good correlation. There are two important reasons for this (a) historically, gold was used by countries to buy oil and a large part of the proceeds from oil revenue ends up in investment in gold. As oil prices move upward, the oil economies receiving such surplus funds invest much of this surplus in gold or other hard assets; (b) rising oil prices place upward pressure on inflation and this enhances the appeal of gold because it acts as a hedge against inflation. By using gold as a currency, we can value the price of crude oil using the oil gold ratio. This ratio is independent of any currency and any other measure of inflation.

Crude Oil is an important commodity that affects economy of every country. The higher price of crude will benefit the oil producing and exporting economies and affects negatively the countries which import oil for their domestic consumption. Oil production and consumption is used as an indicator of economic activity. Changes in its price quickly affects the consumer prices (inflation) leading to shifts in monetary policy which will have a significant impact on the economy. In contrast to this, gold is a commodity that

appreciation because of enhanced demand for the commodity as against lower supply. Gold is used by central banks as a reserve component and all central banks hold huge amount of gold in their vaults. Gold is basic part of the international reserve portfolio of most countries, including the oil producing countries. Demand for gold increases when investors would like to put their money in safe assets. Having a clear understanding of the gold/oil ratio is one of the keys ways to visualize why rising oil prices is not bad for all economies. Higher crude oil prices result in slowing down the economy as a whole and resultant inflation reduces disposable income for people. This does eventually adversely affect investment climate and specifically financial markets in particular; gold typically shines very well during these very times. The gold/oil ratio is simply computed by dividing the international gold price by the crude oil price (in the same currency).

Historical Gold Oil Relationship

Typically Gold oil

have widened to some extent (Chart -1). Gold Oil price ratio is a measure that is not biased by inflation factor.

One ounce of gold currently can buy about 15 barrels of oil which is very close to the long term median