

## **Price Discovery in Spot and Future Prices of Precious Metals in Multi-Commodity Exchange of India**

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**Abstract:** Derivatives were introduced in India in the year 2001. Derivative is a financial instrument which aims at risk mitigation, and pricing of underlying assets. Commodity derivatives are also introduced in the year 2001 even though future markets of various commodities were in operation long back in India. Many commodities such as agriculture commodities, crude oil, base metals, precious metals, and others have been allowed to be traded in commodity markets. Many commodity exchanges have been established to facilitate trade in commodity derivatives. This study aims at measuring price discovery of gold and silver commodities that are traded in Multi Commodity Exchange, one of the leading commodity exchanges in India, during the period 2010 to 2020. Long run and short run relationships between future price and spot price of gold and silver commodities have been measured and analysed in this study to find out price discovery in the commodity market and to determine lead-lag relationship in gold and silver commodity markets.

**Keywords:** Price Discovery, Gold, Silver, Long Run Relationship, Future Market, Spot Market

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