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WHAT ARE COMMODITIES? FROM OIL TO AGRICULTURAL PRODUCTS.

Commodities are raw materials or primary goods that are bought and sold in markets. They serve as the building blocks of the global economy and are typically standardized, meaning one unit of a commodity is largely the same as another (e.g., a barrel of oil or a bushel of wheat).





TYPES OF COMMODITIES

Commodities are broadly categorized into two types:

1. Hard Commodities (Extracted from nature)
 - Energy: Crude oil, natural gas, coal
 - Metals: Gold, silver, copper, aluminum
2. Soft Commodities (Grown or produced)
 - Agricultural Products: Wheat, corn, soybeans, coffee
 - Livestock: Cattle, pork, poultry





WHY ARE COMMODITIES IMPORTANT?

- ✓ Hedge Against Inflation – Prices of commodities often rise when inflation increases.
- ✓ Diversification – Investors use commodities to reduce risk in their portfolios.
- ✓ Global Economic Indicator – Commodity prices reflect supply-demand dynamics and economic health.





RISKS OF INVESTING IN COMMODITIES

- ⚠ High Volatility – Prices fluctuate due to geopolitical events, weather, and demand shifts.
- ⚠ Storage & Logistics Issues – Physical commodities require warehousing and transportation.
- ⚠ Leverage Risks – Futures trading can amplify gains but also magnify losses.





CONCLUSION

Commodities are essential assets traded worldwide, impacting industries, consumers, and investors. While they offer great opportunities, they come with risks that require careful management.

