

COMMODITY MARKET REVIEW – 2012

Invest | Trade | Hedge



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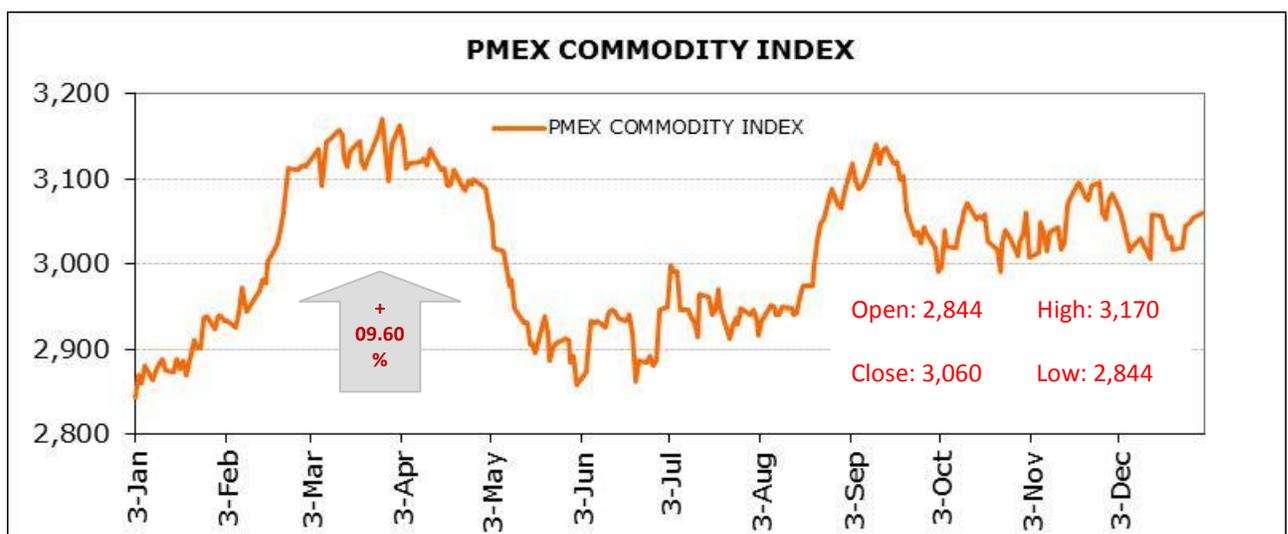
PAKISTAN
MERCANTILE
EXCHANGE

Despite a disappointing 2011, many commodities rebounded in a year that was tough for all asset classes. Among agricultural products, wheat and soybeans yielded the highest gains and coffee the biggest loss while in metals, gold's rally stretched to a 12th year whereas oil posted its first annual loss since 2008 as commodities ended 2012 focused on the U.S. fiscal crisis after riding through a blistering drought and Europe's debt debacle.

Stocks showed best performance in three years after posting the worst returns in 2011, beating bonds, commodities and the dollar. The major force behind stocks is central banks. The MSCI All-Country World Index of equities increased 16.9 percent in 2012. The Standard & Poor's GSCI Total Return Index of 24 commodities rose 0.1 percent, while the U.S. Dollar Index (DXY) lost 0.5 percent. Bonds of all types returned 5.73 percent, on average, according to Bank of America Merrill Lynch's Global Broad Market Index.

Despite a mixed price trend over the year, the FAO Food Price Index (FFPI) averaged 212 points in 2012, 7 percent (17 points) less than in 2011.

PMEX commodity index increased by 9.60 % during the year 2012 which is based on seven commodities Gold, Silver, Crude Oil, Rice, Sugar, wheat and Palm Olein.

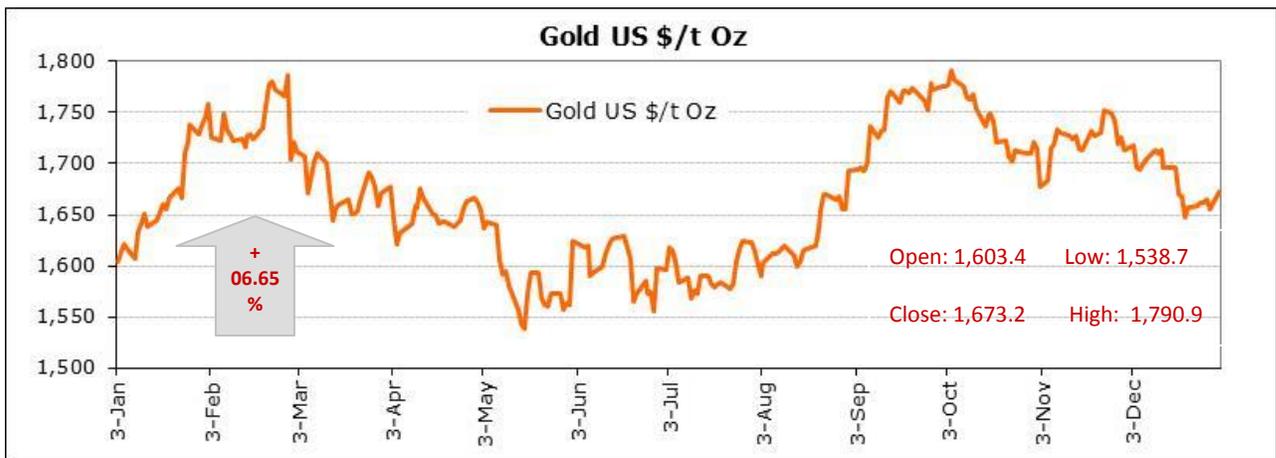


The following table shows the opening and closing prices and the percentage change for these commodities during the year 2012.

| Year - 2012 | |
|--|-------------------|
| VOLUME & VALUE | |
| Total Contracts Traded in all commodities | 4,059,618 |
| Traded Value in PKRS | 1,153,306,294,040 |
| Year on Year Change (Value) | 44% |
| PMEX COMMODITY INDEX | |
| PMEX Commodity Index Dec 30, 2011 | 2,792 |
| PMEX Commodity Index Dec 31, 2012 | 3,060 |
| Change | 9.60% |
| GOLD Spot (USD/toz) | |
| Gold Dec 30, 2011 [\$ US] | 1568.9 |
| Gold Dec 31, 2012 [\$ US] | 1673.2 |
| Change | 6.65% |
| CRUDE OIL Near Month Futures (USD/Barrel) | |
| Crude Oil Dec 30, 2011 [\$ US] | 98.99 |
| Crude Oil Dec 31, 2012 [\$ US] | 91.7 |
| Change | -7.36% |
| SILVER Near Month Futures (USD/toz) | |
| Silver Dec 30, 2011 [\$ US] | 28.18 |
| Silver Dec 31, 2012 [\$ US] | 29.95 |
| Change | 6.28% |
| RICE - IRRI-6 Spot (PKR/100 Kg) | |
| IRRI-6 Dec 30, 2011 [PKR] | 2,925 |
| IRRI-6 Dec 31, 2012 [PKR] | 3,200 |
| Change | 9.40% |
| PALM OLEIN Spot (PKR/Maund = 37.324 Kg) | |
| Palm Olein Dec 30, 2011 [PKR] | 4,730 |
| Palm Olein Dec 31, 2012 [PKR] | 4,375 |
| Change | -7.51% |
| Sugar(PKR/ Kg) | |
| Sugar Dec 30, 2011 [PKR] | 47.50 |
| Sugar Dec 31, 2012 [PKR] | 47.90 |
| Change | 0.84% |
| Wheat(PKR 100/ Kg) | |
| Wheat Dec 30, 2011 [PKR] | 2,450 |
| Wheat Dec 31, 2012 [PKR] | 3,125 |
| Change | 27.55% |

GOLD

The precious yellow metal ended up around 7 percent in 2012 despite the presence of so called fiscal cliff that kept the investors aside in December, 2012. Gold went up for a 12th straight year of gains, which makes it one of the longest bull runs ever for a commodity, though it is the smallest annual rise in four years. It remains down 12 percent from a record \$1,900.2 set in September, 2011.

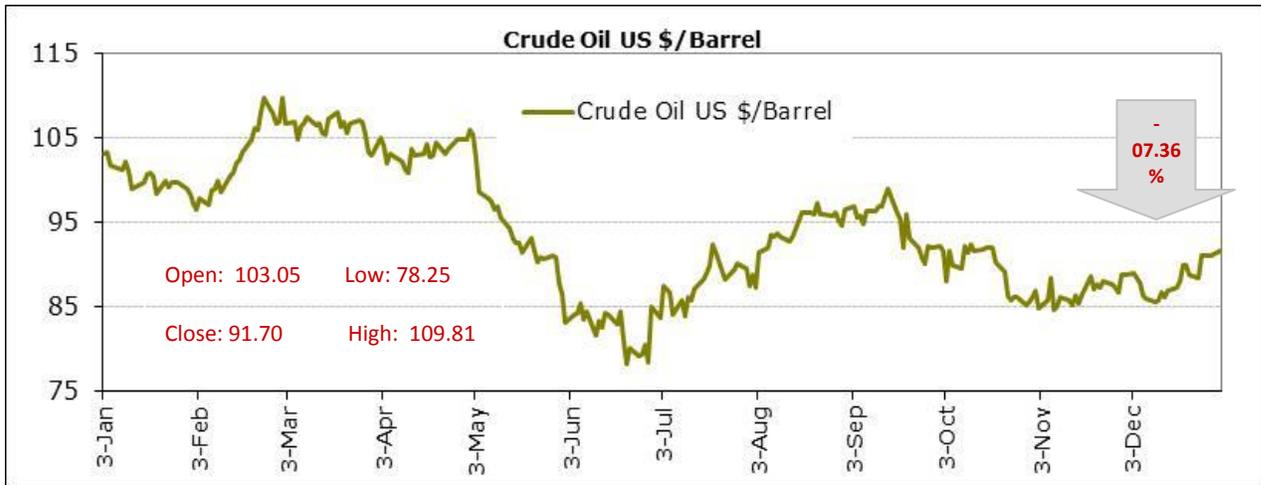


At PMEX, gold prices fluctuated between \$ 1,538.7 – 1,790.9 per ounce in the year, 2012. Where as traded volumes at the Exchange increased to Rs. 724 bn from Rs. 581 bn in the corresponding period of previous year, a growth of 25 %. The precious metal maintained its top position at PMEX with a leading share of around 63% in the year 2012.

CRUDE OIL

Oil posted its first loss of around 7 % since 2008, though the prices gained support from robust Chinese data in last quarter of the year pointing to a recovery at the world's second largest economy and second biggest oil consumer.

Crude Oil price fell from \$ 109.7 the highest in the month of March to its lowest \$ 78.25 a barrel in the month of June. Crude recovered in second half of the year despite a fall in the month of October, 2012.



During 2012, the traded volumes at the Exchange increased to Rs. 347 bn from Rs. 98 bn in the corresponding period of previous year, a growth of 254 %. Crude managed to sustain its second position at PMEX with a notable share of 30 % in the year 2012.

SILVER

Silver rebounded after posting a loss in year 2011. The metal advanced around 6 percent in 2012 as investors boosted holdings in exchange-traded products 9.4 percent to a record 18,916.92 tons on December 28, 2012.



Prices also got support as China’s manufacturing unexpectedly expanded at the fastest pace in 19 months in December, boosting optimism that a recovery in the world’s second-

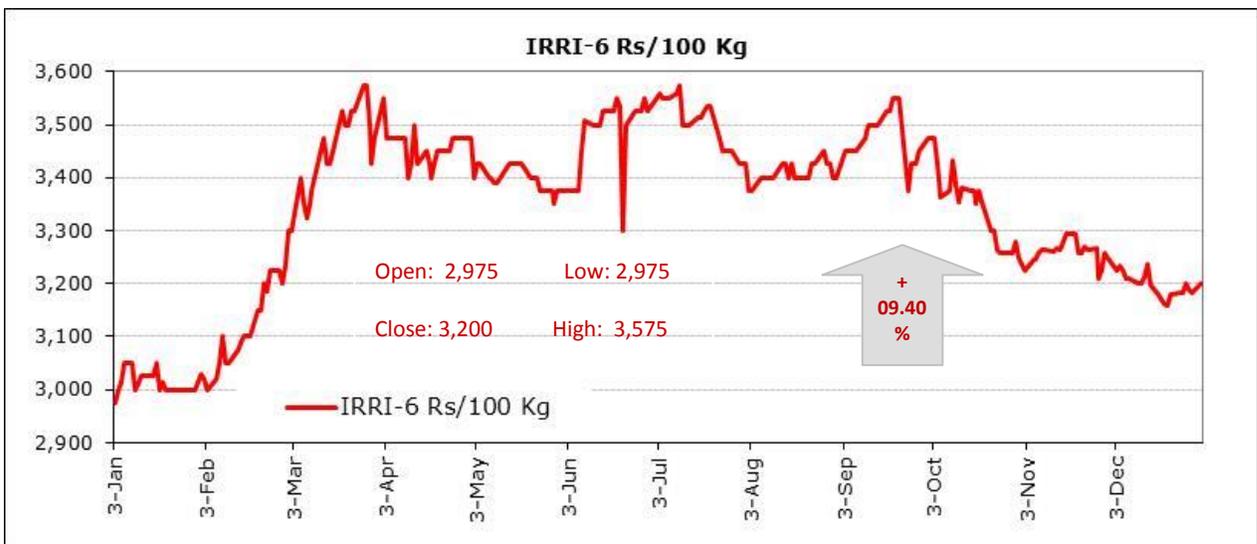
largest economy is gaining traction. A growth has been witnessed in the second half of the year.

Silver prices peaked near \$37.23 on February 29, a significant increase of 29 % witnessed. Over the year 2012 silver mostly followed gold. The white metal tumbled in the month of March and then we observed short rallies in the months of August and November perhaps due to the speculations around the fiscal cliff debates, the results of the U.S Presidential elections, and the next FOMC move.

During 2012, the traded volumes at the Exchange decreased to Rs. 83 bn from Rs. 123 bn in the corresponding month previous year. This is mainly because investors remained bullish for crude and gold at PMEX.

IRRI-6

In domestic market an upward trend in prices has been witnessed in first quarter of the year, 2012. Prices remained quite stable with some bumpy rides from April – October where a decrease was observed in last quarter of the year. The decrease is mainly due to the arrival of new crop in later part of the year. Price movement remained in a wide band, Maximum price was Rs 3,575 per 100 Kg in July and Minimum price was Rs 2,975 per 100 kg on the opening day of the year 2012. A rise of 9.40 % has been noted over the year 2012.

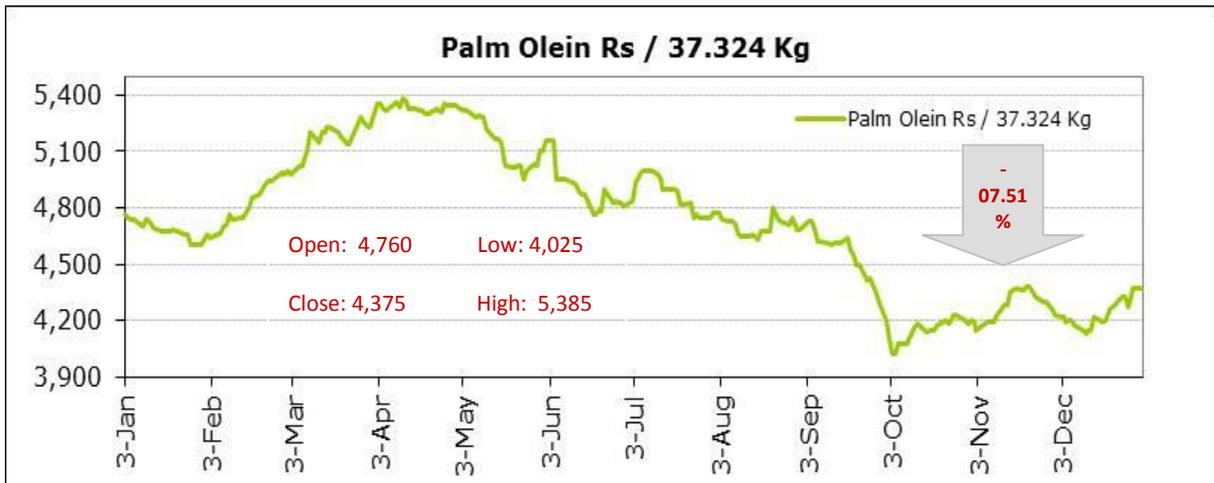


There are 29 contracts traded on PMEX with a value of Rs. 24 million in the year 2012.

Palm Olein\Palm Oil

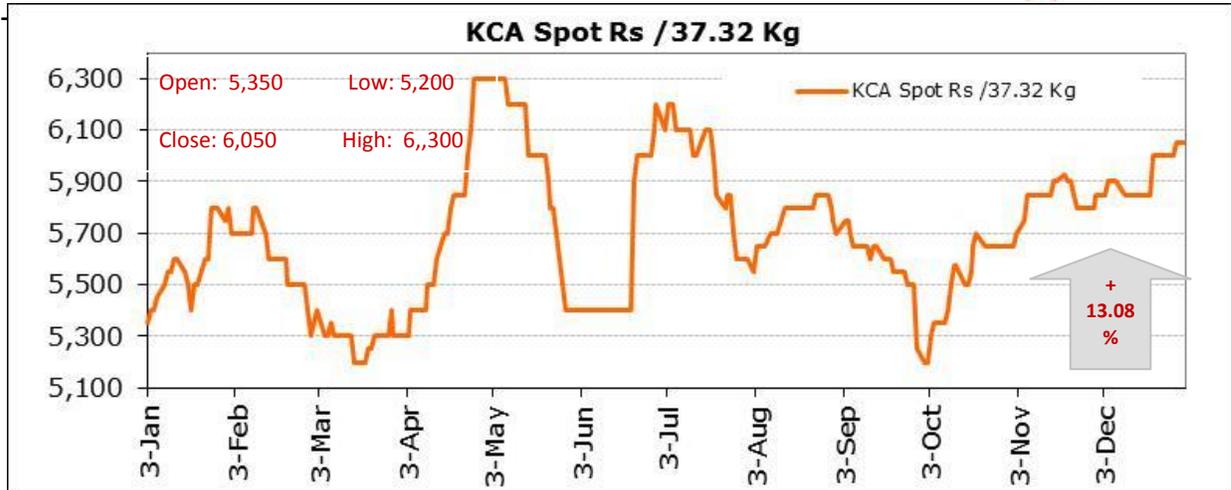
Palm oil notched its worst annual performance since the financial crisis in 2008, losing more than one-fifth, mainly because of higher ending stocks news for Malaysia, though the losses were curbed by expectations that heavy rains in the world's No.2 producer may disrupt production and bring down record high stocks.

In domestic market, a downward trend in prices has been witnessed over the year, 2012, except first quarter. Max price Rs 5,385 was in the month of April where Min price was Rs. 4,025 per 37.324 kg noticed in the month of October. A drop of 7.50 % has been observed in prices in domestic markets.

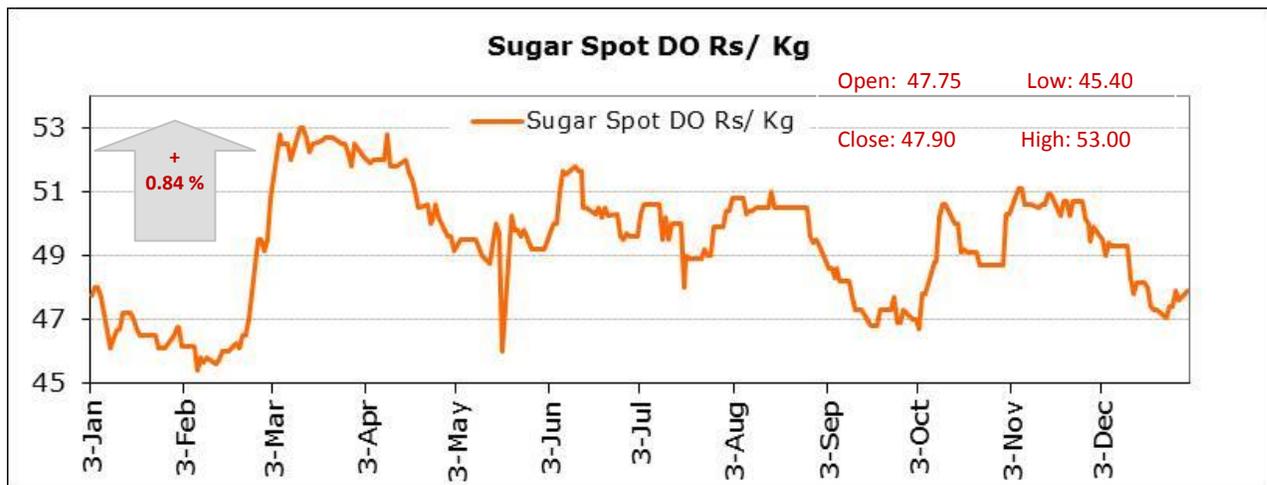


COTTON

A mixed trend has been observed for cotton in domestic markets, rallies were noticed in the month of April and June, where a steady growth witnessed in the last quarter of 2012. Over the year, cotton prices rose by 13.08 percent over the year. In domestic markets cotton prices remained in a wide band of Rs 5,200/37.32 kg and Rs 6,200/37.32 kg.

PAKISTAN MERCANTILE EXCHANGE

SUGAR

Government has allowed 0.4 million tones of sugar export this year. This decision uplifted the prices of the white commodity with short rallies observed in different part of the year but mainly curbed by the positive news of a bumper crop this year.



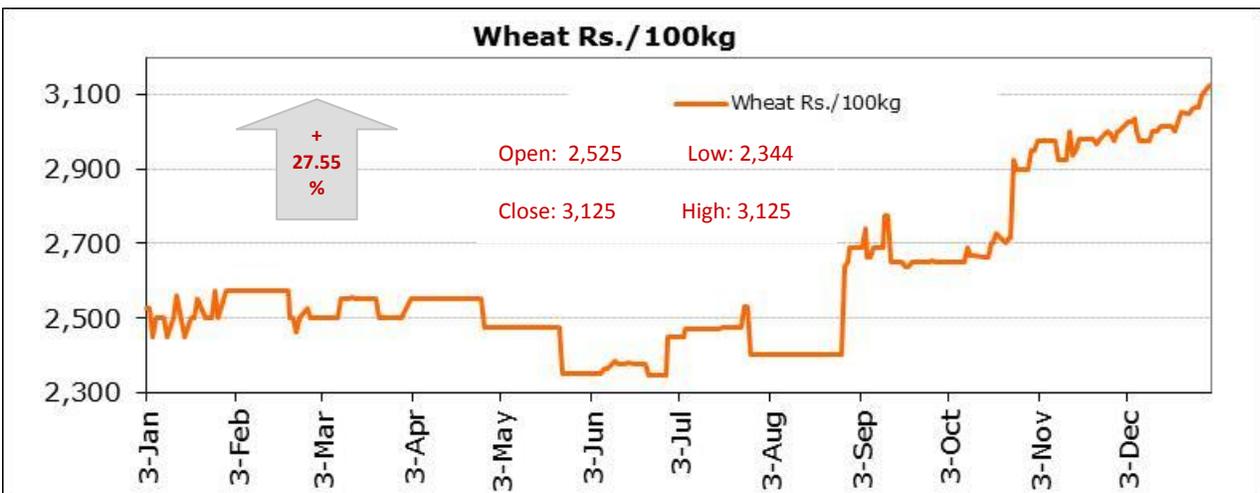
Sugar prices peaked near Rs. 53/kg on March 12th, an increase of 11 % noted, perhaps the prices mostly remained under pressure in later part of the year. Sugar opened at Rs 47.75 /kg and closed at Rs. 47.90 /kg on last trading day of year 2012.

At PMEX trading has started in sugar in last quarter of the year. A total of 30 contracts were traded with a value of Rs. 12.77 million.

WHEAT

A rising trend has been witnessed in last quarter of the year mainly due to the Government decision of increasing the support price for the commodity. A bumper crop news and export decision also lifted the prices up.

Trading has begun in wheat at PMEX in the year 2012.



Increasing government and central bank stimulus measures will bolster commodity demand in coming years.

In Pakistan, Pakistan Mercantile Exchange is the only SECP regulated electronic futures trading platform which offers commodity investment options. PMEX is offering an avenue where growers, producers, processors, traders, exporters, importers and investors can hedge themselves against the soaring prices of agriculture and non-agriculture commodities.

Pakistan Mercantile Exchange abbreviated as PMEX recently introduced the slogan of “Invest| Trade| Hedge” further strengthening its corporate brand and reasserting itself as the only platform where one can Buy, Sell, Trade - Gold, Silver, Crude Oil, Agriculture and Financial Futures.

Currently, there are seven commodities: Gold, Silver, Crude Oil, Rice, Sugar, wheat and Palm Olein available for trading. In order to cater the needs of different market participants, PMEX provides different contracts in each commodity in terms of lot size and tenor.

PMEX has achieved remarkable growth in 2012 with total traded volumes of approximately Rs 1,153 billion. The total volume last year in 2011 was Rs 802 billion, which translates into an increase of 44 % in traded volumes over previous year. PMEX's increasing growth is coming about as a result of newer products, low transaction costs, tight spreads, deep liquidity, transparency, growing membership and efficient systems that make it very easy for brokers and their clients to transact and manage their trades.

Pakistan Mercantile Exchange has acquired memberships of Association of Futures Markets (AFM) and World Federation of Exchanges (WFE). Both are prominent bodies where exchanges, financial market institutions and other industry participants come together to work for the development and growth of Exchange-traded Futures Markets.

Investor Awareness seminars by Pakistan Mercantile Exchange were held in Karachi, Multan, Faisalabad, Lahore and Islamabad in the year 2012, where the PMEX team had explained investment opportunities and benefits of agricultural commodities futures trading at PMEX to brokers and general investors.

Cotton, Maize, Steel, Copper and International currency pairs are expected to be made available for trading in the current year. The addition of new commodities will provide further depth to the market and as well as creating new opportunities for trading and hedging strategies.

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