

Why to invest in derivative market???

Derivative market is no more an alien phenomena in Nepalese economy. So, if we think beyond the traditional trading options i.e. stock and bond then derivative trading may be the best option. The payoff, over a period of time is based on the performance of assets, interest rates, exchange rates and indices. The return can either be in cash or assets depending upon performance and timing of particular assets. Important news of world's strong economies like changes in consumer indices, market indices, currency exchange rates, weather conditions affects performance of underlying assets in derivatives. There are many reasons which can be informative in understanding derivative trading.

Investing in derivatives involves minimum risk than any others. In derivatives, we do not purchase the underlying assets although in some cases we agree to purchase the underlying assets in the future, also known as futures trading. Return in derivative depends on the performance of the underlying assets in which we are trading. Profit or loss is a part of investment in derivative like any other investments but risk of losing whole investment is very less. We can trade in derivative options with lower initial investment which makes it more appealing to the investors who are not able to invest due to the money constraint. Leverage

in derivative market is higher than any other investment because with lower initial investment probability of getting higher profit still exists. In this sense we can say derivative market is totally geared up, because varieties of trading options balances the total portfolio risk.

Derivative can be a good short term investment. It may be a good option for those who are looking for an investment opportunity that can



payoff in a shorter time range. In long-term investments like stocks and bonds we have to wait years to get return but in derivatives, return comes in short span of period depending upon the trading strategies. Derivative investment may also be a good way to balance short and long-term investments. To make profits in derivatives we do need to work on research part and make wise decisions. The results can come much faster than anticipated, which is not possible through other investment option.

In derivative we have varieties of option to trade and it is more flexible than any other investments.

Derivatives provide wide range of investments beyond our imagination. Anyone interested in derivative trading either needs to have a trusted financial representative who will provide suggestions, or learn as much about the business as possible. Before entering into the derivative trading, we can take advices from our financial representative, who is much more involved in the financial sector, to safeguard our investment and better handle our

portfolio. This way we can track our money and keep it in right track for better returns. The other option is to learn from the resources available in the internet which is usually provided by the financial analysts.

Exchanges and its associates in Nepal are breeding the culture of giving different training related to derivatives trading to the wide range of investors and stakeholders, who are interested in it. Derivative is also included as part of course in the discipline of finance in all reputed Nepalese Universities.

Some types of trading options are available around the clock, on a global scale, which is arousing more interest in derivatives among the investors. Getting involved in derivatives trading means keeping eyes on the global economy which makes us more updated about international scenarios.

Derivative trading is an excellent way to prove money earns money. It will make our investment portfolio more attractive and secure. It offers a wide range of alternatives, including international opportunities. This is the best way to utilize our money. The only thing needed, is enthusiasm to learn, research and develop skills with each trade. So what are you thinking of???



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