

# Derivatives Market Trends



# Equity Derivatives

## SUBPRODUCTS

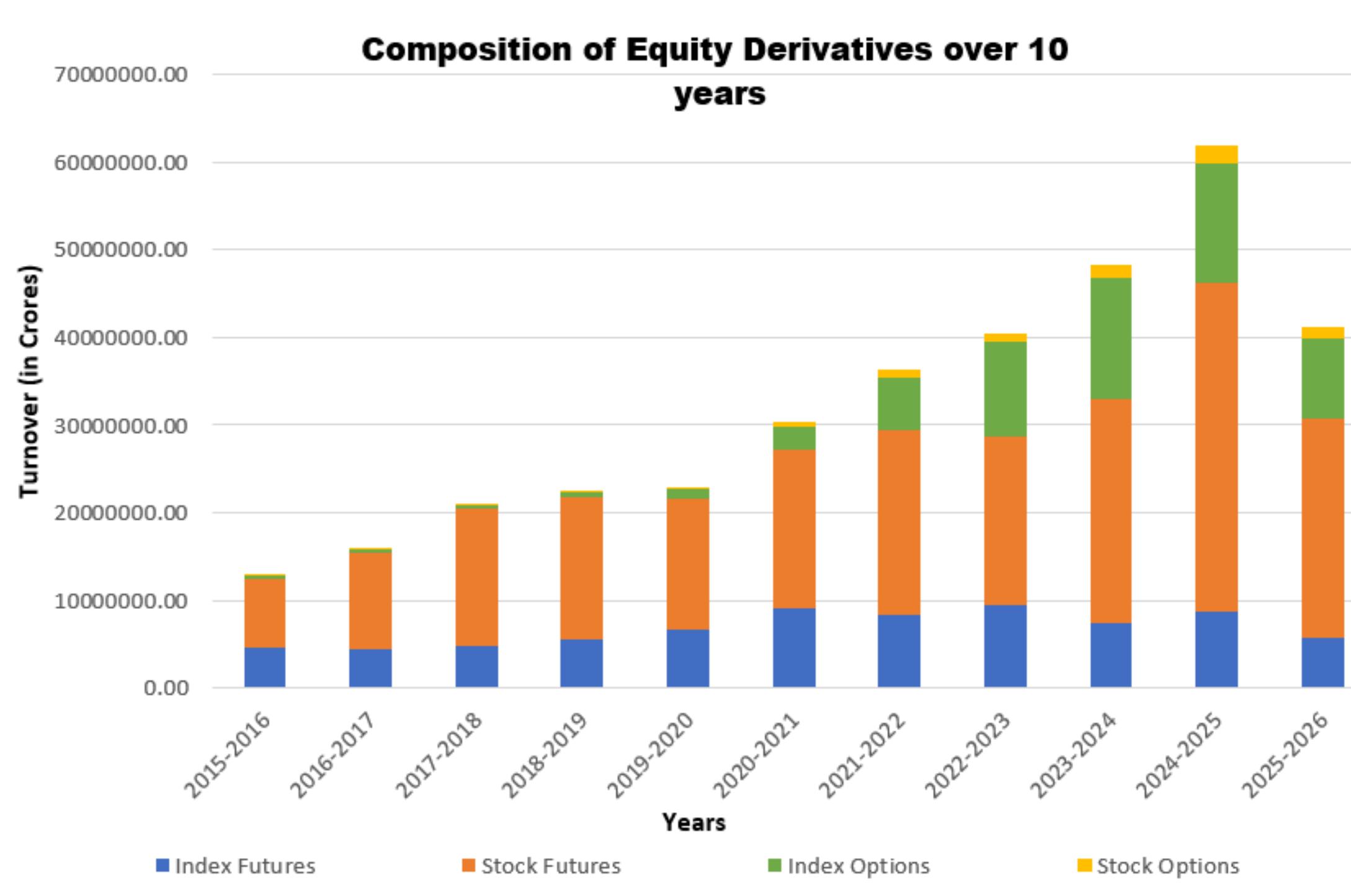
Equity derivatives include **Index Futures**, **Stock Futures**, **Index Options**, and **Stock Options**, offering diverse trading opportunities to market participants.

## DOMINANT SEGMENT

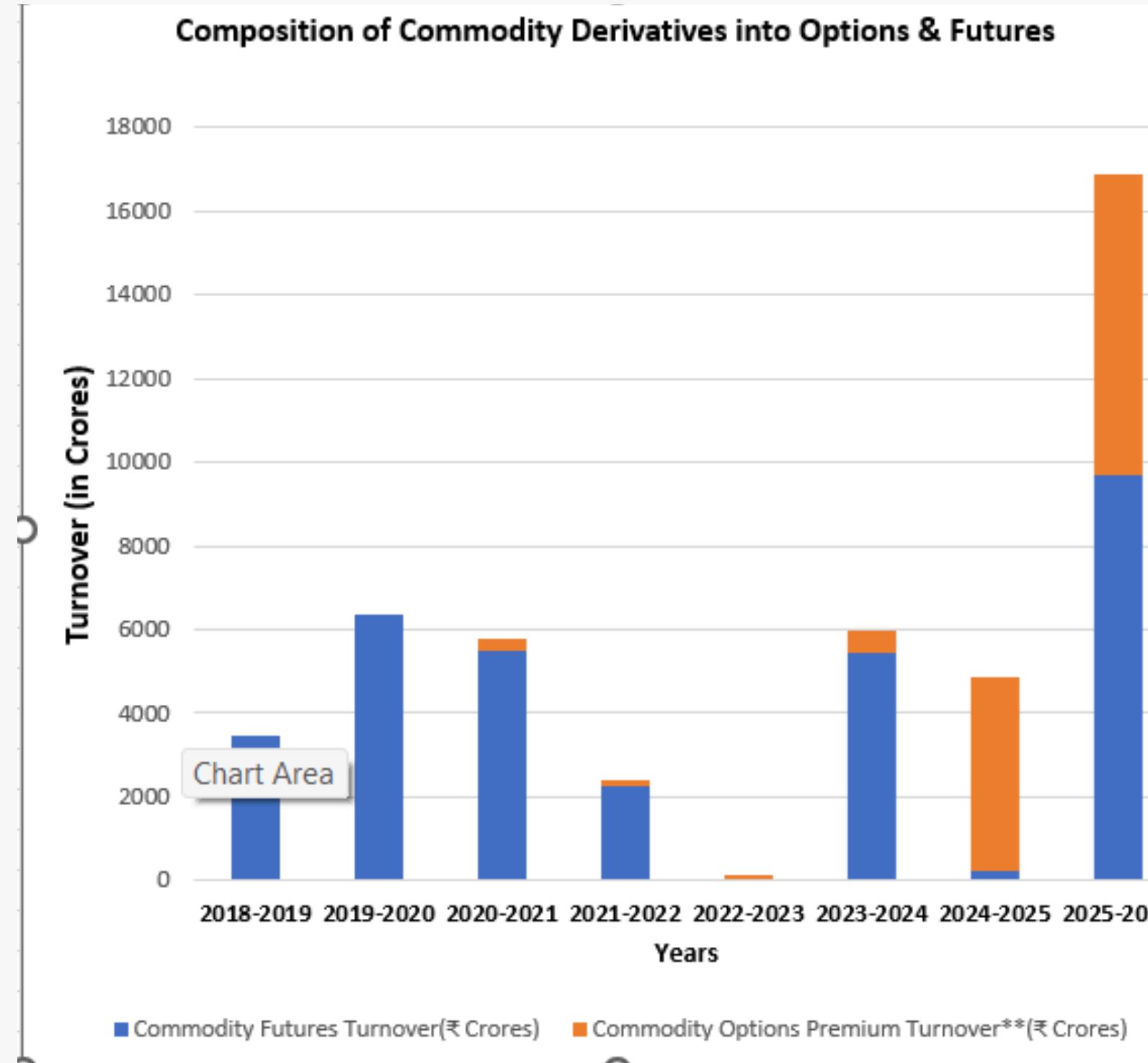
**Stock Futures** consistently dominate turnover within equity derivatives, reflecting their popularity among traders seeking leverage and flexibility in investments.

## MARKET VOLATILITY

Growth in equity derivatives has been fueled by **increased market volatility**, attracting more retail participants and trading activity since 2020.



# Commodity Derivatives



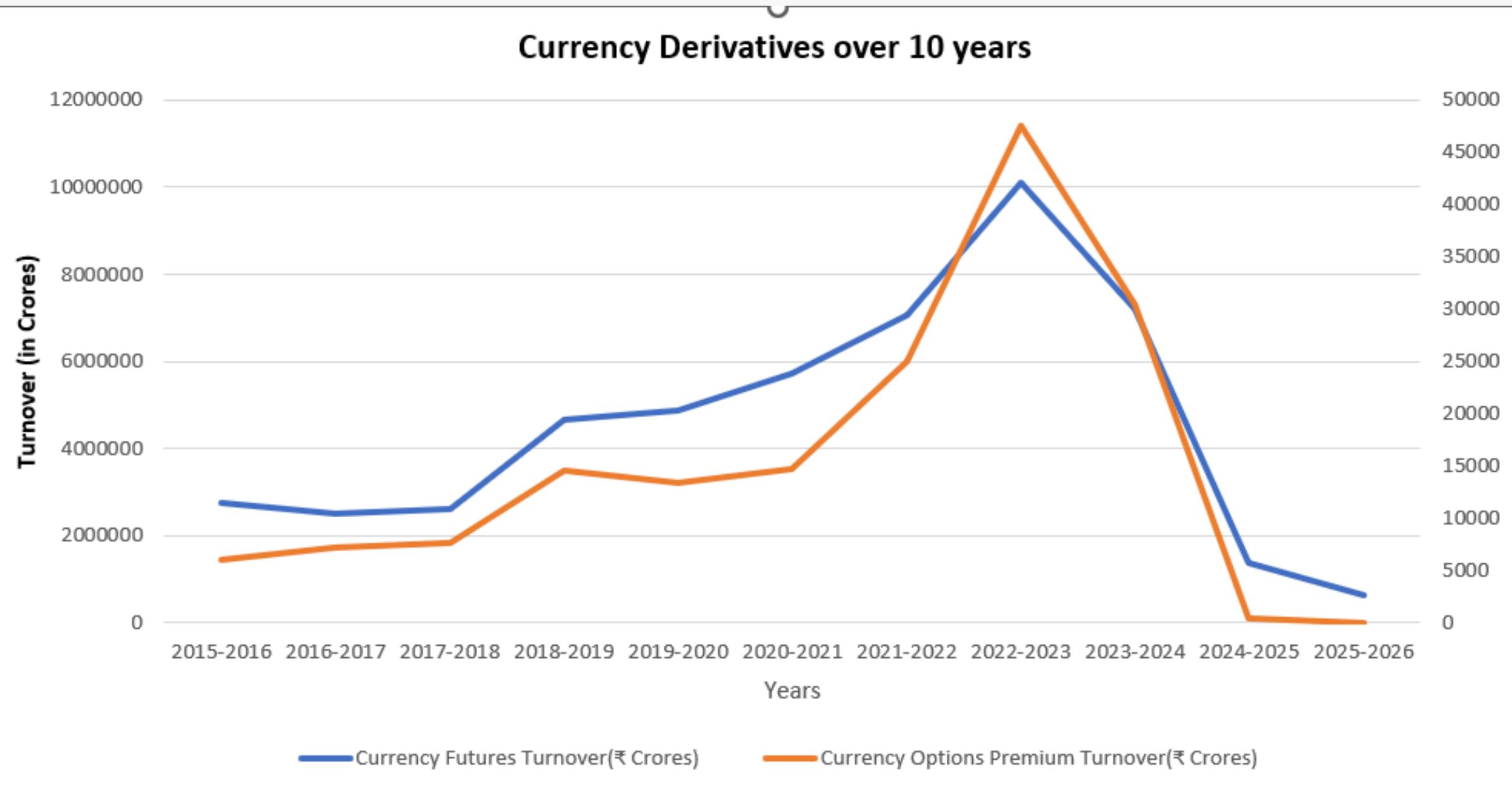
## DOMINANT SEGMENT

**Commodity futures** have consecutively dominated the market since their introduction. In recent years, Commodity Options have evolved.

## Why the Market Size Remains Untapped

- Physical constraints: storage, quality standards, delivery logistics
- Narrow hedger base: limited participation from farmers, SMEs, and corporates
- Regulatory caution: restrictions to manage inflation sensitivity and food security

# Currency Derivatives



## MARKET VOLATILITY

The decline in currency derivatives is largely attributed to **reduced forex market volatility**, which has hindered trading activity and interest.

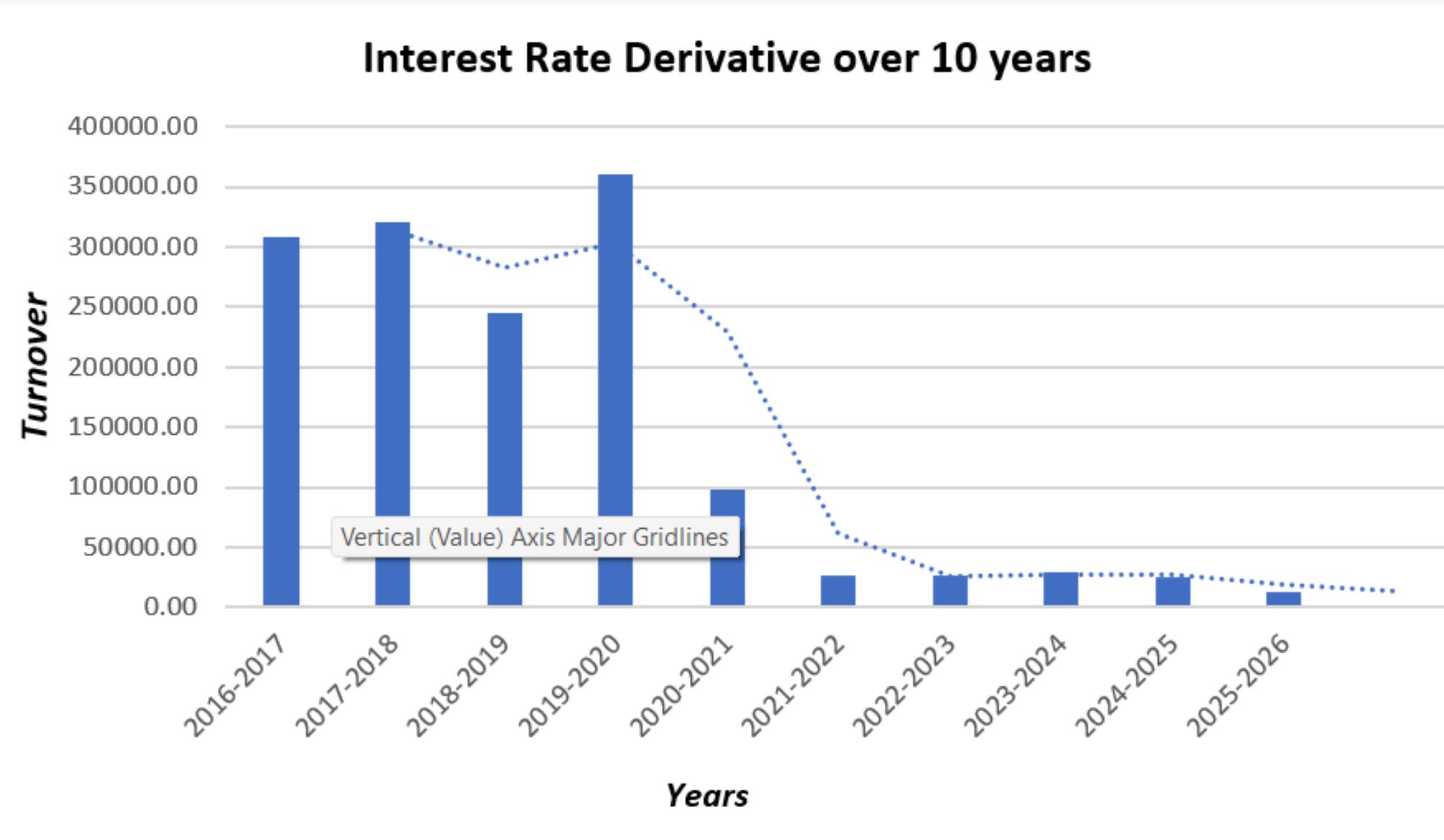
## Dominant Segment

Currency futures have consecutively dominated the market USD/INR (prominently) since their introduction. In recent years, Currency Options are evolving.

## SHIFT IN TRADING

Many traders have shifted their focus towards **equity and commodity derivatives**, leading to a significant decrease in currency derivatives trading volumes.

# Interest Rate Derivatives



## DOMINANT SEGMENT

- Interest Rate Futures (IRFs) are the main exchange-traded IRD product
- Activity peaked around 2019–2020, followed by a sharp decline
- Market participation remains thin and institution-centric

## WHY THE MARKET HAS CONTRACTED

- Weak benchmark development and shallow underlying cash markets
- OTC interest rate swaps dominate, drawing liquidity away from exchanges
- Low volatility and regulatory frictions reduced hedging incentives over time

# Comparative Overview

## EQUITY

- Largest and most liquid segment by a wide margin, driven primarily by index and stock options
- High participation from retail, institutions and proprietary traders
- Turnover reflects trading intensity and leverage, not necessarily economic exposure



## COMMODITY

- Smaller in size but closely linked to the real economy
- Growth driven by futures-based hedging and gradual adoption of options
- Constrained by physical delivery, regulatory sensitivity, and limited hedger participation, keeping turnover relatively low



## CURRENCY

- Primarily risk-management instruments, not trading-centric products
- Activity rises during periods of high volatility and contracts when uncertainty declines
- Structural challenges—benchmark issues, OTC dominance, and regulatory frictions—limit sustained growth

