

# Indian Markets: Where Charts Speak Volumes



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Remember when everyone and their uncle was trading? When options volumes went up 25x, and your cab driver was discussing futures strategies? Well, the party's over.

June 2024 marked the peak for most segments. Equities, options, and futures all hit highs and retreated. The currency market? RBI killed it with one circular. But here's the twist: commodity volumes keep climbing, hitting fresh all-time highs. So what's really happening? Are we witnessing a healthy correction or the end of India's trading boom?

The charts speak volumes. Let's listen to what they're saying.

## Equities

Let's start with the equities segment, or as it is more colloquially called, the cash market. Before the pandemic, daily turnover in the cash markets hovered around ₹40,000 crores. As markets heated up post-COVID, this number quadrupled to an all-time high of ₹1.6 lakh crores a day at its peak in June 2024. Since then, it has cooled off to the ₹1 lakh crore range more recently.

The chart below shows the changes in average daily volumes bucketed by month.

### Cash market

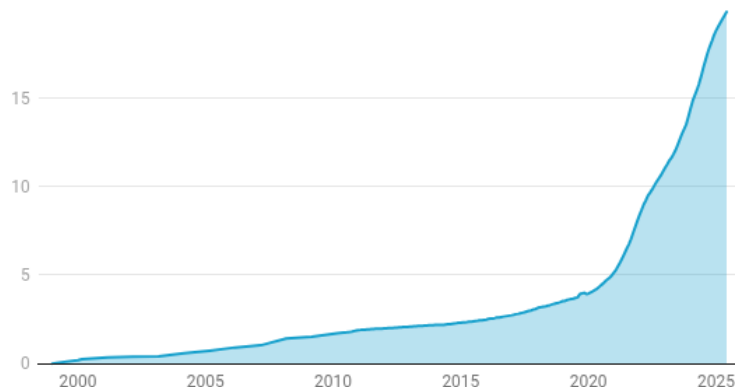
Combined Figures of NSE & BSE in INR crores



What's particularly striking, though, is how investor participation has grown during this time. The number of demat accounts has increased fivefold: from about 4 crore before Covid to over 20 crore today. The chart below really zooms out. Here you can see how we have moved from introducing demat accounts in the late 90s to getting to the massive scale today.

## Demat accounts in India

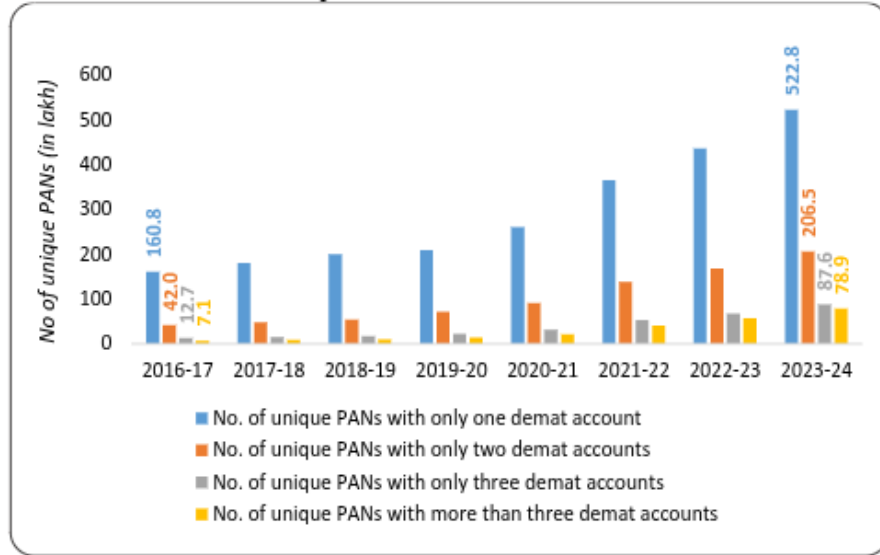
Figures in crores



These figures can be somewhat misleading as investors often hold multiple demat accounts. SEBI's January 2025 bulletin revealed that while India had 15 crore demat accounts in March 2024, the actual number of unique investors was only 9 crore.

The table below shows how demat accounts are distributed per PAN:

**Chart 5: Bifurcation of Unique PANs on the basis of number of accounts held**



Source: SEBI DWBIS

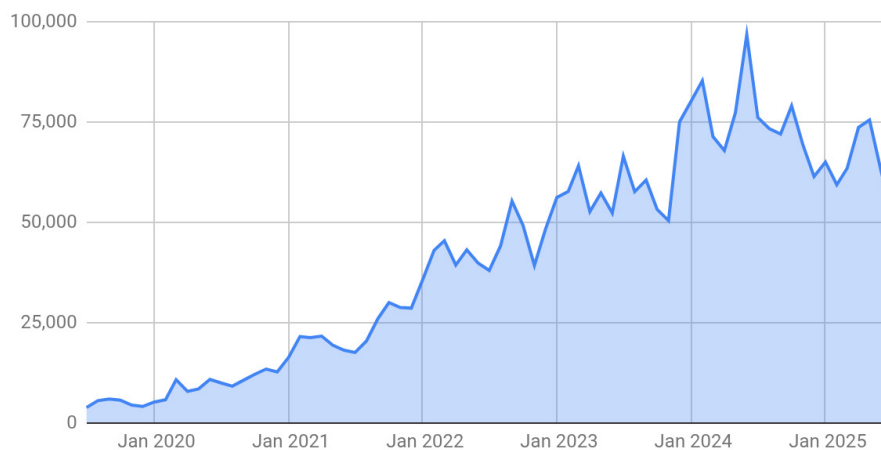
Assuming a similar distribution, the effective investor base would be ~12 crore, not 20 crore. Even then, 1 in 12 Indians has a demat account. This is massive, but there is still a long road ahead. UPI has close to 50 crore unique users.

## Options

We will not start with a risk disclosure. Talk of options is rarely ever decoupled from retail participation going up, their losses, and more recently, market manipulation by large hedge funds. The volumes show this too.

### Options market

Combined Figures of NSE & BSE in INR crores

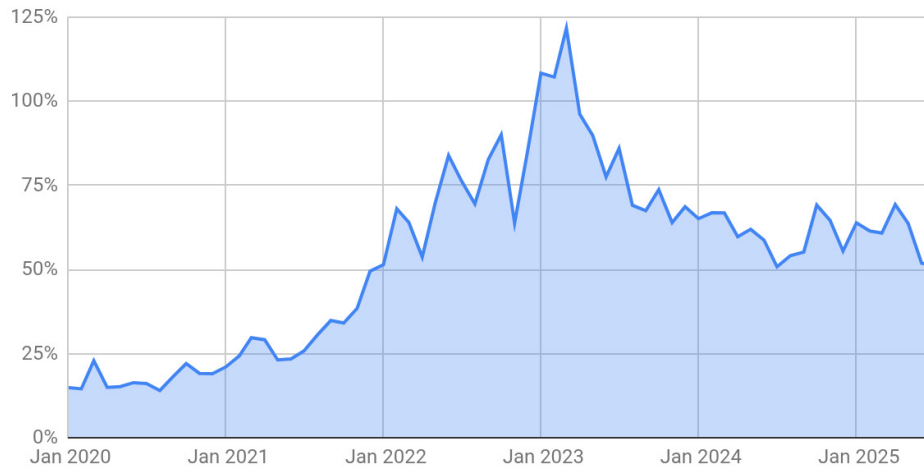


The average daily volumes went up 25x from 4k crores every day, which was about 12% of daily cash market volumes at the end of 2019, to 100k crores in June 2024. Since then, they have halved, and we are standing at 50k crores daily.

How do we read this? Well, this has to be read with the cash market chart. Options volumes peaked in June 2024, the same as the cash market volumes. However, if you look at the volume ratio, you will see that the actual exuberance was about a year earlier, in March 2023.

## Options vs Cash

Daily options turnover as a percentage of cash market



SEBI released its study on retail options trading in January 2023, responding to concerning trends that had been building up. Between January and March 2023, options volumes in India exceeded cash volumes on a monthly basis, perhaps for the first time ever. Following the study, regulators implemented several measures to curtail excessive trading activity.

We can see this entire sequence play out in the charts.

### Futures

Same theme. Peak in June 2024, fallen now. But not really. This chart is again different from what played out in the cash markets and in options. Let's take a look.

## Futures market

Combined Figures of NSE & BSE in INR crores



First of all, futures volumes were completely flat from pre-COVID to when all the options action was peaking in January to March 2023. Then, you had activity double from 100k crores a day to peak at 250k crores while options activity had begun to fall. We are back down now to the same volume level we were seeing before the influx of retail traders and before hedge funds made their arbitrage profits.

Perhaps the chart that perplexes me most is the futures one. It doesn't speak COVID, or increasing retail participation. It says something happened between December 2023 and June 2024, and is no longer at play.

## Currency

The currency segment was showing promise. Growing alongside of options, tripled from 25k crores pre-COVID to 75k crores at the end of 2023. But then activity began to wane and now its practically dead.

### Currency market

Combined Figures of NSE & BSE in INR crores



The story is straightforward. RBI issued a master circular with one clear message: no more INR currency trading without a genuine business need. If you didn't have actual foreign exchange exposure to hedge, you were out. Here is an extract from the circular:

#### 3.4 Other Directions

(i) For exchange traded foreign exchange derivative contracts involving INR, Recognized Stock Exchange shall ensure that:

(a) The user is allowed to take positions (long or short), without having to establish existence of underlying exposure, up to a single limit of USD 100 million equivalent across all currency pairs involving INR, put together, and combined across all Recognized Stock Exchanges;

Note: Recognized Stock Exchanges shall inform users that while they are not required to establish the existence of underlying exposure, they must ensure the existence of a valid underlying contracted exposure which has been not hedged using any other derivative contract and should be in a position to establish the same, if required.

The rules around currency trading depend on one key threshold: 100 million USD.

- Above 100 million USD: You must provide proof of underlying exposure before trading.
- Below 100 million USD: You can trade without upfront proof. However, your broker and exchange must confirm you have valid underlying exposure. You don't need to prove it beforehand, but must be ready to provide documentation if asked.

In short: Big trades need proof upfront. Smaller trades need proof only on demand. And what happened is that most brokers stopped offering the segment altogether.

## Commodities

Big disclaimer: These figures come from MCX and represent notional contract volumes.

Why MCX? Because it practically IS the commodity market in India today. And why notional? That's all they publish. What's notional volume anyway? Let me explain with an example:

Say you buy a gold call option on MCX:

Gold is trading at ₹1,00,000 per 10 grams

You buy 1 lot (1 kg) call option

The notional value = ₹1,00,000 × 100 = ₹1 crore

But you only paid ₹5,000 as premium

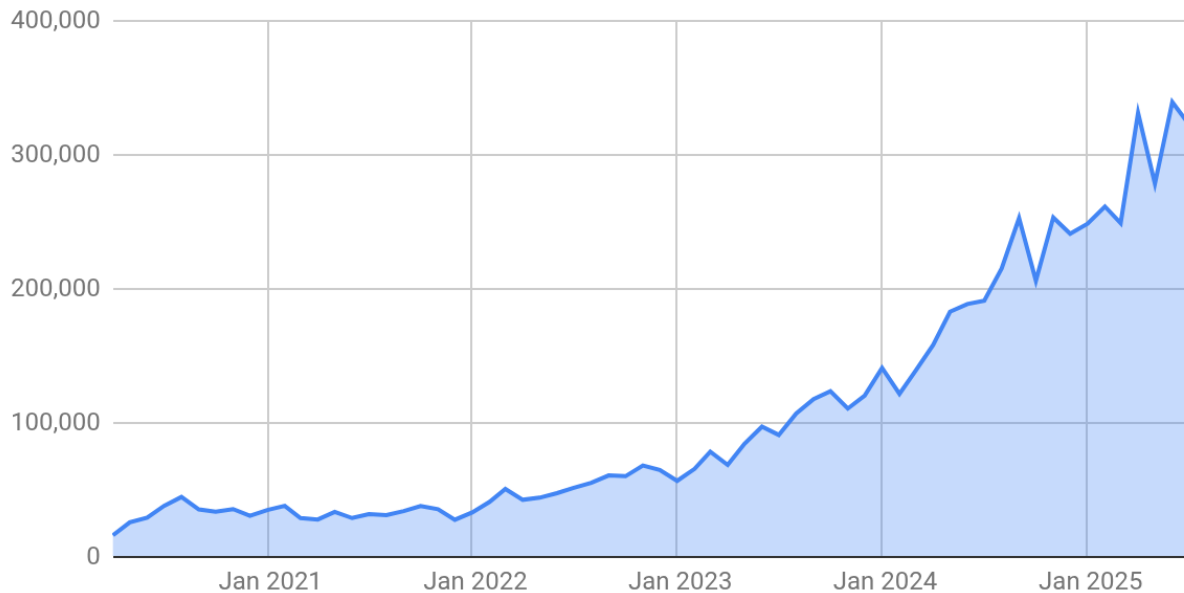
When MCX reports volumes, they count the full ₹1 crore, not the ₹5,000 you actually paid. So if 1,000 such contracts trade, MCX shows ₹1000 crores in volume, even though only ₹50 lakhs actually changed hands as premium.

This makes commodity volumes look massive compared to equity options, where we typically track premium volumes. Both are valid, but they tell very different stories.

Ok, enough background. Let's see the chart now:

## Commodities market

Notional Volumes at MCX in INR crores



All growth, no retreat. COVID didn't move the needle; volumes stayed flat through January 2022. Then something shifted. Since then, it's been one-way traffic: up. Unlike every other segment, June 2024 wasn't the peak here. We've blown past those levels. Commodity volumes are hitting fresh all-time highs right now, even as other markets cool off.

This is the only chart still climbing.

### TL;DR

The pandemic rally is over. Equity and derivatives volumes peaked in June 2024 and have since cooled. Options halved after SEBI crackdowns, futures back to pre-retail-frenzy levels. Currency trading is practically dead after RBI's "no speculation" circular killed a ₹75,000 crore market overnight.

Only commodities keeps climbing, hitting fresh all-time highs while everything else retreats.

**The real story?** Despite all the noise about retail participation, only 1 in 12 Indians has a demat account (adjusting for duplicates). Compare that to UPI's 50 crore users, and you see how early we still are. We are not in a bear market, we are in a reality check. The froth is gone, regulations worked, and volumes are perhaps finding sustainable levels. The next rally, when it comes, will likely be healthier than the last.