

31 May 2011

COMMODITY MENTOR

Agri Reports:

Oil and Oilseeds Insight

- Soy bean-** NCDEX Soy bean futures are expected to continue the down trend for the day owing to the early onset of the monsoon. The monsoon has hit the Kerala coasts 2 days ahead of the scheduled date. The brighter prospects of sowing to begin in time might affect the market sentiments and prompt the traders to liquidate their positions. The consideration of the increase in MSP of oil seeds in the current sowing season is negative for the prices. The MSP might be increased to boost the domestic acreage and bridge the gap between the supply and demand in oil seeds. Good crushing margin might help the prices to recover.
- Soy oil-** The NCDEX soy oil futures are expected to trade down side for the day. The higher exports of palm oil from Malaysia and the expectations of the higher production in Indonesia is pressurising the prices. The imports of edible oil during the current month are likely to be much higher which pressurised the prices. The near term demand for the oil is expected to increase during the next half of the year due to the festive season which might limit the gains.
- RM Seed-** The mustard seed futures are might continue the bearish trend fro the day. The concerns of the better monsoon, higher acreage under Kharif oil seeds, good production prospects of the same might exert pressure on the prices. The monsoon on which is much earlier is affecting the market sentiments. The higher stock levels in mustard are creating the concerns as the MSP under Kharif oil seed might increase to support production. Overall higher supplies might pressurise the prices.

Commodity	Contract	S3	S2	S1	CLOSE	R1	R2	R3
Soybean CBOT	Jul-11	1354.2	1365.1	1372.4	1379.8	1390.7	1401.6	1408.9
Soybean NCDEX	Jun-11	2338	2350	2361	2372	2384	2396	2407.0
Soy Oil CBOT	Jul-11	57.9	58.2	58.4	58.61	58.9	59.2	59.4
Soy Oil NCDEX	Jun-11	648.5	651.4	654.4	657.35	660.3	663.2	666.2
Soy Oil MCX	Jun-11	652.5	652.8	653.4	654.0	654.3	654.6	655.2
RM Seed NCDEX	Jun-11	2840.3	2851.7	2863.3	2875.0	2886.3	2897.7	2909.3
CPO BMD	Sep-11	3386	3425	3445	3465	3504	3543	3563
CPO MCX	Jun-11	524.9	528.5	530.9	533.4	536.9	540.5	542.9
Castor seed NCDEX	Jun-11	4745	4773	4804	4835	4863	4891	4922.0

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Spices Insight

- Black Pepper-** The pepper futures are forecast to extend the losses on poor export demand on Tuesday. Short covering after a huge fall might support the prices later in the day. However, decline in prices offered by other countries is restricting exports from India which is likely to weigh on prices. According to trade sources, due to the monsoon season growers in Kerala and Karnataka are now ready to sell their produce which might further impact the prices. India is offering MG-1 ASTA at \$6500-6600 per MT while Vietnam ASTA is quoted at \$5850 per MT, Lampung ASTA at \$6100-6150 per mt.
- Turmeric-** The turmeric futures are expected to continue the gains on lower level buying on Tuesday. Though demand is very sluggish at spot market still, if arrivals remain on lower side then it may become positive for prices. Average daily arrivals at Erode spot market were reduced to 9,000 bags (Each bag=70kg.). According to traders, sowing for next season has started in some part of Tamil Nadu. However, most of the farmers are waiting for June month prices performance and if prices remain below Rs.8000 per quintal they might shift to some other crop.
- Jeera-** The jeera futures are forecast to continue to trade lower on poor domestic and export demand. However, reduced arrivals at spot market of Unjha might limit the heavy losses. Arrivals at spot market of Unjha were reported around 7,000-8,000 bags (Each bag= 55Kg.). As per trade sources, fresh supply from Syria and Turkey is likely to hit the market June onwards which might keep the prices under pressure. This year production is estimated around 23-25 lakh bags against 28-30 lakh bags last year.
- Chilli-** Bearish trend in chilli June futures are projected continue the recovery on lower level buying on Tuesday. However, absence of fresh market cues and sluggish demand is likely to weigh on prices. **Guntur market will**

resume its activity from June 6th onwards after remaining close for whole month. As per trade sources, farmers are now selling their goods directly to cold storages which might build up a huge inventory. As of now around 45 lakh bags of chilli have been stored in cold storages.

8. **Cardamom-** The Cardamom June futures are expected to extend the losses on additional selling on Tuesday. Prevailing fundamentals of reduced demand amid ample supply might pressurize the prices during the day. However, small recovery amid fall in arrivals might limit the sharp fall. IMD has declared monsoon onset in Kerala which might also add to the down side as rains are favourable for crop growth. Daily total arrivals at different auctions were declined marginally to 17,097 Kg. on Monday.

Commodity	Contract	S3	S2	S1	CLOSE	R1	R2	R3
Pepper NCDEX	Jun-11	27561	28080	28501	28921	29441	29960	30381
Turmeric NCDEX	Jun-11	7345	7423	7517	7610	7689	7767	7861
Jeera NCDEX	Jun-11	13359	13600	13789	13979	14219	14460	14649
Chilli NCDEX	Jun-11	7458	7610	7868	8126	8278	8430	8688
Cardamom MCX	Jun-11	722	742	751	761	781	800	809.8

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- **Sugar Insight:** Sugar futures are projected to continue the gains on extended short covering on Tuesday. Fresh retail demand along with end of summer vacation might support the prices. Union government has fixed 16.50 lakh tons of sugar as free sales quota for the month of June against 17.50 lakh tons in May. Though quota has declined but considering the monsoon month it is still higher from traders' expectations. This could limit the sharp gains in prices.

Commodity	Contract	S3	S2	S1	CLOSE	R1	R2	R3
Sugar NCDEX	Jun-11	2537	2550	2564	2577	2591	2604	2618
Sugar MCX	Jun-11	2524	2538	2552	2566	2580	2594	2608
Sugar ICE	Jul-11	22.26	22.48	22.73	22.99	23.20	23.42	23.67
Sugar LIFFE	Aug-11	NA	NA	NA	NA	NA	NA	NA

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Non Agri Reports:

- **Metal Insight:** Asian equity markets are trading higher with gains of anywhere between half to one percent. Japan's industrial production grew by one percent in the month of April, as against expectation of 2.2 percent. In the morning session on LME, base metal prices are trading lower with losses of anywhere between half to one percent, on the back of weak industrial production numbers. Dollar index is trading lower with losses of half a percent, close to 75.3 levels. On the fundamental front, reports indicated that Zinc production might decline as catastrophe in Japan has lead to closure of many smelters. On the economic data front, retail sale numbers from Germany are expected to come in higher along with decline in unemployment rate. This might keep the Euro buoyant and thereby support commodity prices. From US, consumer confidence is expected to come in higher while the Dallas Fed manufacturing activity is expected to moderate. Overall, base metal prices might open modestly on the lower side, but weak dollar index along with economic data is expected to support prices to move higher.

Commodity	Contract	S3	S2	S1	CLOSE	R1	R2	R3
Copper COMEX	June-11	412.8	413.8	415.3	416.9	417.9	418.9	420.4
Copper LME 3M	Fwd	8898	8972	9090	9208	9282	9356	9473
Copper MCX	June-11	409.1	411.3	413.6	416	418.1	420.3	422.6
Lead LME 3M	Fwd	2436	2464	2485	2506	2534	2562	2583
Lead MCX	June-11	112.8	113.3	113.7	114.10	114.6	115.1	115.5
Zinc LME 3M	Fwd	2206	2224	2253	2282	2300	2318	2347
Zinc MCX	June-11	101.4	101.9	102.2	102.6	103.0	103.5	103.8
Nickel LME 3M	Fwd	22373	22587	22893	23200	23413	23627	23933
Nickel MCX	June-11	1016.7	1024.6	1032.8	1041.0	1048.9	1056.8	1065.0
Aluminium LME 3M	Fwd	2523	2544	2584	2625	2645	2666	2706
Aluminium MCX	June-11	116.7	117.4	117.9	118.4	119.1	119.8	120.3

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- **Bullion Insight:**

1. **Gold-** At the Globex platform gold is seen trading at \$1540, up by \$2.7 on the back of weaker dollar index which is at present down by more than half a percent. Asian stocks advanced on speculation that the EU will pledge more funds to repair Greece's finance. The Euro is appreciating against the dollar on anticipation that the European Union will approve the additional assistance for Greece. Besides, in the US, republicans and democrats are attempting to strike a deal on raising the debt ceiling which may raise the concern over the economy's recovery. Obama will be meeting the republicans today and on anticipation of surviving from the debt, an increase in limit will be impacting hard on the dollar. Japan's industrial output rose less than expected on the basis of which Japan's sovereign rating was put under review for a downgrade by Moody's investors' service as it has been prompted by heightened concern of faltering economic growth prospect. Coming to the economic data front, the German retail sales and unemployment change may improve while the Euro zone is also expected to maintain the unemployment rate at prior level, which may give a boost to the Euro. However, the US releases may have a mixed impact in the form of a declining manufacturing activity and a rising consumer confidence. Overall, gold is likely to remain strong on an anticipated weaker dollar index and hence is recommended to be long for the metal.
2. **Silver-** At the Globex platform silver is seen quoting up by 0.82% at \$38.175. The weak dollar index is prompting investors to protect their wealth from the attrition. Asian stocks advanced on speculation that the EU will pledge more funds to repair Greece's funds. As discussed in gold's outlook, the Euro is expected to remain strong against the dollar on speculation of EU's approval for assisting Greece with further aid, which may give Euro and edge. Besides, Obama's meeting with the republicans today to decide over the raising debt ceiling will be another ancillary factor to make the dollar weak. The economic releases from the Germany and Euro zone are expected to be fair while US releases may have a mixed impact. However, concern over the Greece issue and US debt limit will be the main driving factor for the day which seems to be favorable for the metal. Overall, silver is expected to remain strong on the back of a prolonging weak dollar and an anticipated strong Euro. Hence, it is recommended to be long for the metal.

Commodity	Contract	S3	S2	S1	CLOSE	R1	R2	R3
Gold Comex	Aug-11	1506	1513	1525	1537.3	1545	1552	1564
Gold MCX	Aug-11	22466	22532	22638	22744	22810	22876	22982
Silver Comex	Jul-11	3632	3676	3731	3786.3	3831	3875	3930
Silver MCX	Jul-11	56606	56886	57296	57707	57986	58266	58676

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- **Energy Insight:**

1. **Crude Oil-** Currently WTI Light sweet crude oil futures are trading above \$101/ bbl with a gain of 0.50 percent in Globex electronic platform. Most of the Asian equities indices are trading on higher side, which might be supporting oil prices to trade on higher side. Dollar index is trading at 74.60 levels, down by more than 0.40 percent. On economic front, data releases from German are likely to come positive for the economy, which may support oil prices. On the other side, US consumer confidence is expected to increase, whereas Dallas Fed Manufacturing index may decline in May. Overall, we may expect oil futures to continue the positive trend supported by above factors.
2. **Natural Gas-** Natural gas futures prices have traded on a positive trend on yesterday on account of higher demand expectation from US for cooling purposes. June contract closed at Rs.205.30 / MMBTU by gaining more near one percent in India market.

Currently, gas futures are trading above \$4.50 by gaining more than one percent in Globex electronic session. Warmer US weather condition is supporting demand of natural gas for cooling purposes. Overall we may expect gas futures to trade on positive trend through out the day.

Commodity	Contract	S3	S2	S1	CLOSE	R1	R2	R3
Crude Nymex	Jul-11	98.81	99.42	100.01	100.59	101.21	101.82	102.41
Crude Oil MCX	Jun-11	4446	4478	4506	4534	4566	4598	4626
Natural Gas Nymex	Jul-11	4.20	4.28	4.40	4.518	4.60	4.68	4.80
Natural Gas MCX	Jun-11	203.2	204.2	205.8	207.3	208.4	209.4	211.0

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