

31 October 2011

# COMMODITY MENTOR

## Agri Reports:

### **Oil and Oilseeds Insight:**

Soybean prices might further weaken today due to arrival pressure. USDA crop progress report might report complete harvest of soybean crop. Crop availability would increase due to completion of harvesting while buyers are absent in international market which might weigh on prices. China has imported 4.83 million metric tons during October months according to the Ministry of Commerce compared to 4.19 million tonnes in September. In Brazil, soybean planting of 2011-12 season is 41% complete compared to 28% last year. Brazilian soybean growers have sold 31% of the 2011-12 crop in forward business. Palm oil monthly export sales survey might show lower export numbers compared to last month which might pressurize prices. Spot markets in India might resume full swing activities during this week which might add pressure to the spot prices as well as futures.

Commodity	Contract	S3	S2	S1	CLOSE	R1	R2	R3
<b>Soybean CBOT</b>	<b>Jan-12</b>	1199.9	1206.7	1213.0	1219.8	1231.4	1241.7	1246.1
<b>Soybean NCDEX</b>	<b>Nov-11</b>	2185	2190	2198	2207	2216	2224	2229
<b>Soybean ACE</b>	<b>Nov-11</b>	2066	2081	2112	2147	2171	2193	2213
<b>Soy Oil CBOT</b>	<b>Dec-11</b>	50.89	51.12	51.43	51.77	52.15	52.49	52.70
<b>Soy Oil NCDEX</b>	<b>Nov-11</b>	619.2	619.9	621.8	623.8	625.0	626.1	627.3
<b>Soy oil ACE</b>	<b>Nov-11</b>	614.3	615.8	619.3	623.3	625.6	627.7	630.0
<b>RM Seed NCDEX</b>	<b>Nov-11</b>	3041	3047	3062	3079	3089	3098	3108
<b>RM Seed ACE</b>	<b>Nov-11</b>	2781	2791	2810	2831	2847	2861	2874
<b>CPO BMD</b>	<b>Jan-12</b>	2934	2946	2962	2980	2999	3016	3027
<b>CPO MCX</b>	<b>Nov-11</b>	473.4	473.9	475.1	476.5	477.3	478.0	478.8
<b>Castor seed NCDEX</b>	<b>Nov-11</b>	4263	4272	4285	4299	4313	4327	4335

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### **Spices Insight:**

**Pepper:** Pepper prices are expected to extend the bearish trend during today's trading session. However, a smart recovery on short covering can be seen during initial hours. Limited activity at domestic as well as export front is likely to weigh on market sentiments. Higher production estimates are also expected to pressurize the prices in near term. According to trade sources, Indian production is likely to remain in the range of 48,000-55,000 tons due to good crop in Karnataka region. Indian prices in global pepper market are remained unchanged 7500-7800 per MT and remained competitive in global pepper market.

**Turmeric:** Turmeric futures expected to open on positive note extending the previous recovery. Spot markets will resume their activity on full swing. However, overall prevailing fundamentals of higher production estimates might limit the gains. As per trade sources, next year total supply of turmeric is expected to remain above 1 crore bags. However, increased acreage along with bumper crop expectations are might weigh on prices in near term. According to AP Govt. till October 12<sup>th</sup> sowing has been done in 0.68 Lakh Ha as compared 0.69 Lakh Ha previous year.

**Jeera:** Jeera prices are expected to trade slightly positive on extended short covering. Today onwards spot market of Unjha will resume its activity after a week long holiday. According to trade sources, sentiments across spot market are remaining firm for short to medium term due to limited stocks might support the prices. Stock available at spot market is around 5-6 lakh bags. However, rising sowing prospects might weigh on market sentiments. Therefore, prevailing uncertainties might create volatility in prices. According to Spices Board, jeera exports from April-10 to August-11 have declined to 9500 tons down by 39% against the same period last year.

**Chilli:** Chilli prices are projected to trade slightly lower on lack of active trade participation. As per traders, acreage in AP has increased by 30% as most of the farmers have shifted from rice to chilli. However, prevailing dry spell might affect the crop in near term. According to AP Govt. till October 12<sup>th</sup> chilli sowing has been done in 1.46 Lakh Ha as compared 1.52 Lakh Ha previous year.

### Cardamom:

Cardamom futures are expected to open on flat to positive note. However, rising arrivals at spot market are likely to pressurize the prices later on. Arrivals at different auctions were reported around 92,260 Kg. on Sunday. Higher production estimates along with through out the year arrivals expectations might also weigh on prices in coming days. According to Spices board of India, total arrivals during the current season till Oct. 1<sup>st</sup> were up by 122% to 3860 tons against 1735 tons in the same period last year.

Commodity	Contract	S3	S2	S1	CLOSE	R1	R2	R3
Pepper NCDEX	Nov-11	33206	33373	33611	33875	34149	34395	34557
Turmeric NCDEX	Nov-11	4876	4905	4964	5030	5076	5118	5157
Jeera NCDEX	Nov-11	14293	14363	14458	14563	14679	14783	14848
Chilli NCDEX	Nov-11	8278	8294	8317	8342	8369	8392	8408
Cardamom MCX	Nov-11	669	671	674	679	681	683	685.8

### Sugar Insight:

Commodity	Contract	S3	S2	S1	CLOSE	R1	R2	R3
Sugar NCDEX	Nov-11	2726	2734	2743	2752	2766	2778	2784
Sugar MCX	Nov-11	2752	2758	2764	2770	2781	2790	2794
Sugar ICE	Mar-12	25.5	25.8	26.0	26.3	26.7	27.1	27.3
Sugar LIFFE	Dec-11	688.9	693.5	697.6	702.1	709.9	716.9	719.8

### Pulses and Cereals Insight:

**Chana:** Chana futures are expected to open positive while it might decline during the day. Hike in the Minimum Support Prices (MSP) to Rs.2800 per quintal against Rs.2100 during previous crop year might have a positive impact over the prices. Sustained demand from the traders along with lower supplies across the markets is also likely to support the gains. However, the sowing has begun in major chana growing states and is progressing well. Therefore, it might have a negative impact over the market sentiments which are likely to pressurize the prices to decline during the day.

**Guar seed and gum:** Guar seed and gum futures are expected to open positive while are likely to decline during the day. Removal of special margin (imposed on long side of all running contracts of guar seed and gum) might be supportive for buying activities. However, major physical markets had remained closed during last week due to Diwali festival; spot market activities will resume from today. Fresh arrivals are likely to gain momentum which might continue to build arrival pressure over the prices.

**Maize:** Maize futures are expected to open downside while it might recover during the day. As major physical markets remained closed during last week due to Diwali festival; spot market activities might resume from today. Fresh arrivals might gain momentum therefore might start building arrival pressure over the prices. Therefore, maize prices might trade downside. However, recovery is expected owing to stockiest demand for maize in Delhi market.

**Wheat:** Wheat futures are expected to open positive while it might decline during the day. Minimum Support Prices (MSP) of wheat has been increased by around 15 per cent to Rs.1285 per quintal. Therefore, it is likely to have a positive impact over the prices. Regular demand for the commodity across the markets might support the gains. However, major physical markets remained closed during last week due to Diwali festival; spot market activities might resume today onwards. Therefore, supplies might increase across the market as under Open Market Sale Scheme which might pressurize the prices to decline.

Commodity	Contract	S3	S2	S1	CLOSE	R1	R2	R3
Wheat NCDEX	Nov-11	1084	1086	1089	1091	1095	1097	1099
Maize NCDEX	Nov-11	1102	1102	1103	1105	1106	1107	1107
Barley NCDEX	Nov-11	1095	1098	1106	1112	1120	1126	1131
Guar seed NCDEX	Nov-11	4449	4465	4503	4528	4570	4593	4618
Guar Gum NCDEX	Nov-11	13716	13784	13915	14022	14169	14267	14355
Chana NCDEX	Nov-11	3383	3391	3406	3419	3435	3447	3457

## **Non Agri-Reports:**

### **Metals Insight:**

Early in the morning, most of the Asian equity markets are trading lower with losses of anywhere between half to one percent with the exception of Japanese market which is trading modestly higher. Japanese central bank intervened in the currency market for the first time since August to weaken the currency which was trading at the highest level post World War II. Dollar index as a result is trading with gains of 1.3 percent thereby weighing on the commodity prices. In the morning session on London Metal Exchange, base metal prices are trading lower with cuts of half to one percent. On the economic data front, German retail sales are expected to have improved in the month of September. From US, Chicago purchasing manager is expected to come in modestly lower and the Dallas Fed manufacturing activity might indicate some improvement but would continue to remain in contraction territory. Overall, base metal prices are expected to remain under pressure however recovery might be witnessed later if the manufacturing numbers from US indicates some improvement.

Commodity	Contract	S3	S2	S1	CLOSE	R1	R2	R3
Copper COMEX	Dec-11	357.4	360.1	365.1	370.6	375.0	379.0	382.3
Copper LME 3M	Fwd	7878	7941	8048	8169	8269	8361	8433
Copper MCX	Nov-11	387.7	389.8	393.7	398.0	401.4	404.6	407.1
Lead LME 3M	Fwd	1983	2000	2035	2075	2102	2127	2151
Lead MCX	Nov-11	100.6	100.7	100.9	101.1	101.3	101.5	101.6
Zinc LME 3M	Fwd	1911	1923	1949	1978	1996	2014	2031
Zinc MCX	Nov-11	95.9	96.0	96.0	96.1	96.2	96.4	96.4
Nickel LME 3M	Fwd	19355	19456	19596	19750	19918	20068	20163
Nickel MCX	Nov-11	961.1	963.0	967.3	972.1	974.9	977.6	980.4
Aluminium LME 3M	Fwd	2213	2222	2233	2245	2259	2271	2279
Aluminium MCX	Nov-11	109.3	109.3	109.4	109.6	109.7	109.8	109.8

### **Bullion Insight:**

**Gold-** While writing this report at 8.20 IST, gold futures at the Globex platform are seen quoting down by \$33, at \$1713. Gold declined on the back of strong dollar index and weak Euro after Japan stepped into foreign exchange market to weaken its currency. Japan sold an undisclosed amount of Yen sending the Dollar climbing sharply against the Yen. Asian equities mostly weaken on anticipation that the enhanced EFSF which was announced last week, although many details remained to be announced. This might be one of the threats to the Euro for becoming weak.

From the economic data front, German retail sales might improve while the Euro zone unemployment rate may remain unchanged at prior level. This may provide a boost to the Euro. However, from the US, the Dallas Fed manufacturing activity is still expected to remain weak. Anticipating so, the dollar might pare some of its initial gains which were mainly boosted by the weakening Yen. So, gold might see a pull back in prices in the evening session.

Overall, gold might see a recovery at the later part of the day and hence, is recommended to remain long at lower price for the metal.

**Silver-** At the Globex, silver is seen trading down by \$0.853 at \$34.44. As discussed in Gold's outlook, the Yen has been depreciated by more than 4% against the dollar which has infused an unexpected gain into the greenback. Since the Yen was trading at its high of post world war 2, the government has intervened in to the Foreign exchange market to make the currency weak. The Asian equities are trading mostly at a lower side despite the enhanced EFSF as there are many details remained to be announced. However, this initial gain in dollar might not continue through out the day. The Euro zone retail sale might improve, while the Dallas Fed manufacturing activity is still expected to remain weak. So, dollar might pare some of this unexpected gain at the later part of the day which might boost the metal in the evening. However, the weak equities might quicken the metal's fall. Hence, it is recommended to remain short for the metal.

Commodity	Contract	S3	S2	S1	CLOSE	R1	R2	R3
Gold Comex	Dec-11	1726.5	1730.8	1738.5	1747.2	1754.0	1760.2	1765.4
Gold MCX	Dec-11	27313	27386	27482	27589	27709	27817	27883
Silver Comex	Dec-11	3435	3456	3490	3529	3563	3594	3617
Silver MCX	Dec-11	55976	56376	56861	57395	58063	58661	58994

## **Energy Insight:**

### **Crude oil:**

While writing this report (9:25 A.M.) Oil prices are trading below \$92.45/bbl in Globex electronic platform, driven by lower equity market and higher dollar index.. Japan's currency sank more than four percent at 79.20 per dollar which is post war high. Thus Japan has intervened in currency market to stem yen's climb. Most of the Asian equities are trading on lower side which is pressurizing energy and base metal prices. Economic data releases from Euro-zone and US are expected to mix for the economy. Iran Governor Mohammed ali Khatabi said Oil market is balanced and no need for emergency OPEC meet. IEA minister stated oil at \$100 is not comfortable. Overall, we are expecting oil futures to trade on lower side today.

### **Natural Gas:**

Natural Gas futures prices gained more than five percent and closed at \$3.923/ MMBTU in the last week. Natural gas futures prices are trading on a upside trend in the globex electronic platform at \$3.927/ MMBTU. As per US weather department, weather condition will remain mild which may pressurize demand of natural gas. Natural gas stock has been increased by 92 BCF in the last week, which might have pressurized gas futures to trade on down side. Overall, we may expect gas futures to trade on lower side today.

Commodity	Contract	S3	S2	S1	CLOSE	R1	R2	R3
Crude Nymex	Dec-11	91.4	91.8	92.5	93.3	93.9	94.5	95.0
Crude Oil MCX	Nov-11	4451	4473	4503	4535	4571	4604	4624
Natural Gas Nymex	Dec-11	3.484	3.517	3.552	3.590	3.647	3.698	3.722
Natural Gas MCX	Nov-11	185	186	189	192	194	196	197.4

\*For daily technical recommendations contact at [commodity@karvy.com](mailto:commodity@karvy.com)

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