

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

*For daily technical recommendations contact at commodity@karvy.com

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 12th 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 12th 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. 1st 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 |

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