

31 May 2012

COMMODITY MENTOR

Agri Reports:

Oil and Oilseeds Insight: Downward movement was noticed in the entire oil and oilseed complex futures prices both in Indian markets except for soybeans. The tightening supplies in soybeans in major markets in India are influencing the upward movement in the prices. However in the international markets, the soy complex prices have declined in the yesterday's trading session. Poor demand from China for soybeans, lower grain and crude oil prices in international market pressurized on the soy complex prices in international market. The expectations of higher edible oil imports and decline in palm oil prices in international market is likely to continue to pressurize on edible oil prices in Indian futures market. Recovery in soybean prices may be noticed that is likely to be for short-term in India. We would recommend buying in soybeans and selling in edible oils and mustard seed in today's trading session.

Commodity	Contract	S3	S2	S1	CLOSE	R1	R2	R3
Soybean CBOT	Jul-12	1347.3	1354.9	1363.6	1373.3	1385.9	1397.2	1403.3
Soybean NCDEX	Jun-12	3335	3353	3383	3417	3447	3474	3494
Soybean ACE	Jun-12	3303	3319	3346	3376	3402	3426	3444
Soy Oil CBOT	Jul-12	48.87	49.10	49.38	49.69	50.09	50.45	50.64
Soy Oil NCDEX	Jun-12	729.9	731.3	733.2	735.4	737.6	739.7	741.0
Soy oil ACE	Jun-12	730.6	731.9	733.3	734.8	737.0	738.9	739.9
RM Seed NCDEX	Jun-12	3783	3798	3818	3841	3865	3886	3900
Rm Seed ACE	Jun-12	3068	3083	3097	3111	3136	3159	3168
CPO BMD	Jul-12	586.3	587.5	588.7	590	592.1	593.9	594.8
CPO MCX	Jun-12	3089	3099	3107	3117	3134	3149	3155
Castor seed NCDEX	Jun-12	1347.3	1354.9	1363.6	1373.3	1385.9	1397.2	1403.3

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Spices Insight:

Pepper: Pepper futures prices are projected to continue the down trend on prevailing weak fundamentals across the domestic markets. Poor export demand due to higher Indian parity is creating pressure on prices. Indonesian and Brazilian pepper crop is likely to hit the market in June- August which might weigh on sentiments. However, prevailing tight supply situation might limit huge losses. According to IPC, Vietnam has already shipped out an estimated 62,000 tonnes of pepper which means more than half of Vietnam's production is gone and in coming months it might face supply shortage.

Turmeric: Turmeric prices are expected to continue the down trend on back of prevailing bearish fundamentals at spot front. Huge stocks along with subdued demand are keeping under pressure. According to trade sources, all the major spot market are having huge stocks and now stockiest are facing storage problem so they have reduced buying activity. Only traders are buying at spot market to meet local masala buyers' demand. Arrivals at spot market of Erode were reported 14,200 bags against 14,800 bags reported on Tuesday (1bag=70Kg.) of which only 60% get sold.

Jeera: Jeera futures prices are projected to trade on lower note on cues from prevailing weak trend across the major spot market. Exporters' buying has also reduced as they are waiting for Syria crop to hit the market. Local buyers are also staying away from market in anticipation of further fall in prices. According to sources, though demand is weak as of now but continuous fall in supplies arrival season is coming to end might support prices to move up in coming months. Arrivals at spot market of Unjha were reported steady at 11,000 bags against 9,000 bags reported on Tuesday (1 bag- 60Kg.)

Chilli: Chilli June futures prices are projected to trade in arrange bound manner with biased towards down side. Overall trend is also poor in absence of fresh market cues which might also weigh on prices during the day. Spot market of Guntur is closed for one month due to rising mercury levels and expected to resume trade activity from June 7th onwards. Poor export demand and higher production are likely to keep market sentiments down side biased during this period. According to top trade sources, farmers are directly depositing their produce in cold storages and good stocks have been stored till now.

Cardamom: Cardamom prices are projected to continue the down trend on back of rising expectations of good crop in coming season. Pre monsoon showers supportive for crop growth which is weighing prices. However, lower level demand from exporters ahead of Ramadan might limit huge losses. Total daily arrivals at spot auction held in Kerala

were around 42,195 Kgs. on Tuesday. According to trade sources, prevailing volatility in prices is not healthy for market as it is not revealing actual trend and making trade activity difficult.

Commodity	Contract	S3	S2	S1	CLOSE	R1	R2	R3
Pepper NCDEX	Jun-12	38835	39037	39279	39545	39883	40186	40352
Turmeric NCDEX	Jun-12	3527	3565	3618	3676	3738	3795	3830
Jeera NCDEX	Jun-12	12522	12574	12636	12705	12791	12868	12911
Chilli NCDEX	Jun-12	4753	4765	4780	4796	4817	4835	4845
Cardamom MCX	Jun-12	1316	1321	1328	1335.0	1343	1351	1355.4

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Sugar:

Commodity	Contract	S3	S2	S1	CLOSE	R1	R2	R3
Sugar NCDEX	Jun-12	2801	2804	2810	2816	2822	2827	2830
Sugar MCX	May-12	2920	2920	2920	2920	2920	2920	2920
Sugar ICE	Jul-12	21.5	21.6	21.8	21.25	22.1	22.3	22.4
Sugar LIFFE	Aug-12	549.9	551.8	554.1	557	559.8	562.8	564.3

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Pulses and Cereals:

Commodity	Contract	S3	S2	S1	CLOSE	R1	R2	R3
Maize NCDEX	Jun-12	1111	1114	1117	1122	1125	1129	1131
Wheat NCDEX	Jun-12	1167	1169	1172	1175	1178	1182	1183
Chana NCDEX	Jun-12	4178	4197	4215	4247	4266	4295	4307

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Non Agri-Reports:

Metals Insight: Today morning base metals are trading down by 0.3 to 1.3 percent at LME electronic platform apart from Aluminum. The Asian equities are trading down by almost a percent after weak western peers coupled with declining industrial activity. Major base metals producer like China and Brazil have provided much easing in the recent past to boost economic growth as the developed world is pulling down recovery. Brazil lowered its benchmark interest rate by 0.5 percent to 8.5 percent and may add cheap money to support growth. However, easy availability of capital may increase financing activity supporting slight gains in Aluminum prices. From Europe, the never-ending concerns might continue to weigh on metals pack; while down gradation on the preview of increased borrowing cost may further weaken metals. The economic releases from Germany of retail sales may slightly increase after lower inflation that may spur spending, while the unemployment may remain at elevated levels due to increased austerity. The Euro-zone CPI may also decline slightly due to low energy prices and may provide some respite to the Euro currency. However, gains might be limited as the broader questions marring investor sentiment remains unanswered. From US, the ADP employment and purchasing index may increase slightly and may provide slight respite in the evening hours. Jobless claims and personal consumption may further deteriorate and may restrict any gains in base metals. Overall, weak equities and demand for safe heavens may continue to pressurize base metals prices and hence we recommend remaining short for today's session.

Commodity	Contract	S3	S2	S1	CLOSE	R1	R2	R3
Copper Comex	Jun-12	343.6	344.0	344.4	344.80	345.3	345.8	346.1
Copper LME 3M	Fwd	7333	7388	7446	7509	7602	7685	7725
Copper MCX	Jun-12	417.6	419.3	421.1	423.00	426.0	428.7	429.9
Lead LME 3M	Fwd	1894	1902	1913	1925.50	1938	1950	1957
Lead MCX	Jun-12	107.3	107.4	107.9	108.35	108.6	108.9	109.2
Zinc LME 3M	Fwd	1866	1873	1882	1892.75	1904	1915	1922
Zinc MCX	Jun-12	105.6	105.8	106.1	106.55	106.9	107.2	107.4
Nickel LME 3M	Fwd	15881	16012	16168	16340	16559	16755	16862
Nickel MCX	Jun -12	910.0	915.1	920.4	926.1	934.6	942.3	945.9
Aluminium LME 3M	Fwd	1979	1986	1997	2010.0	2021	2030	2038
Aluminium MCX	Jun -12	109.9	110.1	110.5	111.0	111.2	111.5	111.8

Bullion Insight:

Gold: Despite a mid US session recovery in Gold futures prices, the metal is back under pressure as the Euro retreated below 1.2400, a level that is not seen since late June 2010. The weak Italian auction and the persistent Spanish worries along with the Greece are likely to strain the metal today again. The Asian equities have taken cues from the western globe and sank heavily amid sparkling fear from the likely unsustainable borrowing cost. We therefore expect gold to

exhibit weak trend for the day. Reports today may show the German retail sales failing to be at par with the prior while the unemployment rate may remain unchanged. Market might be eyeing the US ADP data to have an early insight into tomorrow's nonfarm payroll. Although the officials hinted gradual growth in employment can be seen, we still can not expect an addition over 150K. Continuing claims would therefore expect to reduce a bit. While the German data may keep the Euro under pressure the US employment outlook may be supportive for the dollar. However, the US QOQ annualized GDP is expected to fall below 2.20% which may provide support to gold prices. Nevertheless, Euro-Gold divergence is seen in recent times due to which gold's view is getting spoiled some time. Besides, both the dollar and gold would have drawn haven demand from the frail Euro which can be proved from the 60 years low US 10-year treasury yields (1.61%) and consecutive three times pull back in gold prices. Yet, fundamentally the crisis contagion and the rising borrowing cost for Europe would conspire to boost the risk aversion which could even create sell-offs in gold. But, as observed, a failure to break the \$1522 level might be proved as a technical rebound in prices. Hence, we expect gold to be confined within a tight range for the day.

Silver: Silver futures prices are also trading at a weaker note at the Globex at present moment. The Asian equities have taken cues from the US and European markets and that would have pressurized the metal for a down side. Euro retreated below 1.2400, a level that is not seen since late June 2010. The weak Italian auction and the persistent Spanish worries along with the Greece are likely to strain the metal today again. Reports today may show the German retail sales failing to be at par with the prior while the unemployment rate may remain unchanged. Market might be eyeing the US ADP data to have an early insight into tomorrow's nonfarm payroll. Although the officials hinted gradual growth in employment can be seen, we still can not expect an addition over 150K. Continuing claims would therefore expect to reduce a bit. While the German data may keep the Euro under pressure the US employment outlook may be supportive for the dollar. However, the US QOQ annualized GDP is expected to fall below 2.20% which may provide support to silver prices. We therefore expect silver to remain confined within a tight range for the day.

Commodity	Contract	S3	S2	S1	CLOSE	R1	R2	R3
Gold Comex	Jun-12	1525.0	1532.0	1547.8	1565.7	1576.5	1586.5	1597.0
Gold MCX	Jun-12	29042	29113	29289	29488	29597	29699	29815
Silver Comex	Jul-12	2706	2723	2750	2781.0	2809	2834	2852
Silver MCX	Jul-12	53403	53580	54004	54483	54755	55006	55287

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Energy Insight:

Crude Oil:

During early Asian session crude oil futures prices are hovering below \$87.60/bbl with fall of more than 0.30 percent in electronic platform. Most of the Asian equities are down by more than 1 percent in lieu of declining economic sentiment of world's major nation. Continuous surge in Spain borrowing cost along with unresolved eco-political concern of Greece is weighing on Euro currency. Today, market will be eyeing on economic releases from Euro-zone and German which are expected to come in lower number, may again drive Euro under pressure. Thus, ongoing economic concern from Euro-zone is likely to have negative impact on oil prices. On the other side, host of economic data from US are due for release tonight. ADP employment numbers are expected to increase in a slower pace in May. Weekly jobless claims number may increase slightly from prior week. GDP of US is likely to climb up in a slower pace in last quarter, whereas Personal consumption may remain unchanged. Thus, overall economic data may have a mixed impact on oil prices in the evening session. From fundamental front, US 1st quarter crude oil demand has been declined to 15 years low, as per EIA. Thus, concern of lower demand of crude oil may have negative impact on oil futures prices. Most importantly, today is the due date for weekly inventory data from US Energy department, which is expected to have some pull back on oil prices. Overall, the trend for oil futures prices looks under pressure today, there may be little volatility in the US session due to economic data releases from US and inventory data from US Energy department. Investors are suggested to be cautious during US session.

Action Plan: We may suggest to remain short from higher side.

Natural Gas: Currently, gas futures prices are trading above \$2.439/mmbtu with a minute change of 0.50 percent in Globex electronic platform. We may expect gas futures prices to remain under pressure throughout the day on concern from declining consumption pattern by US consumer. There is no concern of tropical storm in Gulf areas, thus it may keep prices under pressure. Beginning of summer season may drive higher demand for Gasoline for summer driving demand which may weigh on the natural gas prices. ONGC is planning to increase its production which is another point for the lower side trend.

Action Point: Overall, we may suggest to remain on selling side for the day.

Commodity	Contract	S3	S2	S1	CLOSE	R1	R2	R3
Crude Nymex	Jul-12	84.9	85.8	86.8	87.8	89.5	91.0	91.6
Crude Oil MCX	Jun-12	4848	4889	4924	4962.0	5032	5093	5118
Natural Gas Nymex	Jul-12	2.322	2.352	2.384	2.418	2.468	2.513	2.535
Natural Gas MCX	Jun-12	132	134	136	138.60	142	145	146.3

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