

31 July 2012

COMMODITY MENTOR

Agri Reports:

Oil and Oilseeds Insight: Bearish movement was again noticed in entire oil and oil seed complex prices in Indian futures markets in last trading session. Accelerating sowing progress under Kharif oilseeds and improved rains across major oilseed growing regions is adding weight on oil and oilseed complex prices in Indian markets. In international scenario, soybean sales inspections (US weekly) were reported to be lower at 15.50 million bushels against last week inspections at 15.75 million bushels. This may pressurize on soy complex prices in today's trade. However, losses may be limited on lower soybean crop conditions in US. Soybean crop conditions in US (good/excellent ratings) further worsen to 29% from 31% last week which may lead to reduction in yields and thereby lower supply for 2012-13. Prospects of normal supply in oilseeds and edible oils may weigh on entire oil and oilseed complex prices in Indian futures market in today's trading session. Hence, we suggest selling in entire oil and oilseed complex in Indian futures markets.

Commodity	Contract	S3	S2	S1	CLOSE	R1	R2	R3
Soybean CBOT	Nov-12	1611.7	1617.2	1629.6	1643.5	1652.0	1659.9	1668.1
Soybean NCDEX	Oct-12	3820	3871	3920	3973	4060	4137	4171
Soy Oil CBOT	Sep-12	52.10	52.27	52.50	52.77	53.04	53.27	53.44
Soy Oil NCDEX	Sep-12	771.2	775.2	779.0	783.2	790.0	796.1	798.8
Soy oil ACE	Sep-12	773.2	776.8	780.7	785.0	791.1	796.5	799.2
RM Seed NCDEX	Sep-12	4236	4276	4314	4356	4424	4483	4510
CPO BMD	Oct-12	2885	2892	2909	2927	2937	2947	2958
CPO MCX	Aug-12	558.4	560.4	562.6	565	568.4	571.5	573.0
Castor seed NCDEX	Sep-12	4085	4147	4209	4277	4381	4474	4518

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Spices Insight:

Commodity	Contract	S3	S2	S1	CLOSE	R1	R2	R3
Pepper NCDEX	Sep-12	43924	44088	44296	44525	44797	45040	45182
Turmeric NCDEX	Sep-12	5559	5647	5789	5948	6090	6218	6314
Jeera NCDEX	Sep-12	15279	15418	15589	15778	16009	16217	16334
Chilli NCDEX	Sep-12	5573	5629	5691	5760	5854	5937	5980
Cardamom MCX	Sep-12	1259	1272	1307	1346.3	1366	1384	1407.2

Pulses and Cereals:

Commodity	Contract	S3	S2	S1	CLOSE	R1	R2	R3
Maize NCDEX	Sep-12	1525	1538	1551	1565	1587	1607	1616
Wheat NCDEX	Sep-12	1429	1435	1449	1464	1474	1483	1492
Chana NCDEX	Sep-12	4535	4568	4636	4713	4764	4811	4857

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Non Agri-Reports:

Metals Insight: Today morning base metals are trading up by 0.1 to 0.45 percent except Lead and Zinc. The Asian equities opened on a stronger note and are presently trading in gains ahead of the key FOMC two-day meeting. Riskier assets including base metals have already plunged in recent past and may relatively remain immune towards the pessimism showered by the weak economic releases (As we witnessed post Dallas Manufacturing in yesterday's evening session). Further, from China, weak manufacturing and lower demand for finished goods have lowered industrial profits and the state may rebate its 17 percent VAT (value added tax) as a relief measure. This may further boost demand for industrial metals as the same serves the purpose of raw material to a basket of varied industries. From the Euro-zone, the German retail sales may increase while unemployment may continue to weigh on gains, however the shared currency may remain volatile as investors might eye the developments of the FOMC meet that would start from today evening. From US, yet again spending may grow at a slower pace compared to income indicating the weakening consumption of the robust US economy and may slightly weigh on gains in the evening. Weak manufacturing may continue to have a lower figure expectation for Chicago PMI while consumer confidence may also plummet on the back of slowing growth and may continue to have a negative impact on base metals prices. Overall, in today's session, base

metals are relatively strong on the back of hopes of easing coupled with strong equities and initiating buying might be recommended, however weak US economic releases and lack of action from the Fed may weigh on gains in late evening.

Commodity	Contract	S3	S2	S1	CLOSE	R1	R2	R3
Copper Comex	Sep-12	337.1	338.5	340.0	341.60	343.9	345.9	346.9
Copper LME 3M	Fwd	7439	7468	7503	7543	7591	7634	7659
Copper MCX	Aug-12	417.0	418.0	418.9	419.95	421.6	423.1	423.8
Lead LME 3M	Fwd	1904	1911	1926	1943.00	1955	1966	1976
Lead MCX	Aug-12	106.2	106.2	106.2	106.30	106.3	106.4	106.4
Zinc LME 3M	Fwd	1834	1839	1848	1857.50	1865	1873	1879
Zinc MCX	Aug-12	102.2	102.5	102.8	103.20	103.5	103.9	104.1
Nickel LME 3M	Fwd	15758	15831	15987	16162	16275	16378	16482
Nickel MCX	Aug-12	885.2	888.3	895.4	903.4	908.1	912.5	917.2
Aluminium LME 3M	Fwd	1879	1883	1890	1898.5	1904	1909	1914
Aluminium MCX	Aug-12	106.1	106.3	106.5	106.8	106.9	107.1	107.3

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Bullion Insight: independence

Gold: After a fourth successive session of rally, gold futures prices is still showing strength at the Globex ahead of the two day Fed meeting starting later today. Markets are comparatively staying cool as investors are just waiting to see the action that were being promised by the chiefs to rein in the crisis in Europe and the same to bolster the fragile US economy. The recent economic releases from the US came soft which raised expectation for Fed easing and that may keep the gold price elevated for the day. On the same anticipation of central bankers' endeavor about Euro-bloc's integrity would have kept the shared currency buoyed, providing support to the yellow metal. Going ahead, although we think Fed will bid time to give the stimulus but the probable actions like extending asset purchase or extending the low rate period till 2015 would be in offing. Buying more mortgage backed securities is also lying under while emergency loan window are also expected to be kept open. All these are although proxies of the so called quantitative easing, impact could be same, i.e. depreciation in the dollar. Additional liquidity would therefore be bidding gold price higher. From the economic data front as well, the Euro zone unemployment level may stay elevated while the US personal income and spending may grow at a slower pace. At the domestic front, RBI meet has to be watched out for. They are expected to take breather this time due to inflationary pressure. Rather a minimum 25bps rate cut may appreciate the local unit. On this back ground, gold may be little volatile at MCX. However, the global cues are expected to be positive which will be keeping it to the higher side. We therefore recommend staying long for the metal from lower level.

Silver: Silver futures prices have also gained a little at the Globex, supported by strong Asian equities. Silver is expected to stay strong ahead of the two day Fed meet starting later today and the ECB meet on Thursday. On the same anticipation of central bankers' endeavor about Euro-bloc's integrity would have kept the shared currency buoyed, providing support to the metal. As discussed in gold's outlook, the economic releases from the Euro zone are not looking so helpful to the Euro while the US releases are not too supportive for the dollar. We therefore expect silver to remain strong for the day. However, the RBI meeting should also be looked for the day. Although at the facet of higher inflation they are expected to keep quite this time, an unexpected 25bps rate cut may appreciate the local unit, on the back of which silver may feel slight pressure at domestic front. But looking at the global cues, we are recommending staying long for the metal from lower levels.

Commodity	Contract	S3	S2	S1	CLOSE	R1	R2	R3
Gold Comex	Aug-12	1610.3	1613.0	1617.1	1621.7	1626.1	1630.1	1632.9
Gold MCX	Aug-12	30104	30116	30140	30167	30186	30204	30220
Silver Comex	Jul-12	2744	2755	2785	2818.0	2835	2851	2870
Silver MCX	Jul-12	53005	53140	53463	53827	54034	54226	54439

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Energy Insight:

Crude Oil: Inspired by optimism of monetary easing by major Central banks, Asian equity market is continuing their bullish ride. Global market is eagerly waiting for the output from the Fed meet followed by ECB. Oil futures have also taken the positive cues and trading near \$90/bbl in early Asian session. Other than this, rebel of Syria and shutdown of Enbridge pipeline are creating concern of supply shortage. Midwest region in US is likely to remain under supply by Enbridge due to pipeline shutdown. Civil war in Syria, the heart of Middle East is creating concern of supply disturbances. As per National Hurricane Centre, there is 20 percent chance of tropical storm formation in North Atlantic which may turn to hurricane and create production and supply disturbance. So, taking consideration the above factors we may expect oil prices may gain during the day today. However, from economic data front weaker economic releases from major nations may limit the gains. Unemployment rate from German and Euro-zone are likely to remain high. The US personal income and spending are expected to increase in a slower pace in the last month. Overall, we may expect oil prices to trade in a higher side ahead of US data releases tonight.

Action Plan: Technically, the range in MCX is expected to be Rs.4940-5057 for today.

Natural Gas: Currently, gas futures prices are trading above \$3.209/ MMBTU with a marginal correction of 0.15 percent in Globex electronic platform. As per US Energy department, natural gas demand has been increased by more than 1 percent in the last week, highly contributed by power sector which might be supporting gas futures to trade on higher side. Other than this, optimism from major central banks in the world to recover global economy might be adding positive point in prices. As per National Hurricane Centre, there is 20 percent chance of tropical storm formation in North Atlantic which may turn to hurricane and create production and supply disturbance. However, gains may be limited in gas prices as residential consumption in US likely to slow down due to mild weather expectation by US weather department in today.

Action Point: We suggest to remaining on buying side for the day.

Commodity	Contract	S3	S2	S1	CLOSE	R1	R2	R3
Crude Nymex	Sep-12	88.4	88.8	89.3	89.78	90.5	91.1	91.4
Crude Oil MCX	Aug-12	4932	4947	4962	4978.0	5005	5029	5039
Natural Gas Nymex	Sep-12	3.000	3.035	3.119	3.214	3.267	3.316	3.372
Natural Gas MCX	Aug-12	168	169	173	177.70	180	182	185.0

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