

31 December 2012

# COMMODITY MENTOR

## Agri Reports:

### Oil and Oilseeds Insight:

Commodity	Contract	S2	S1	CLOSE	R1	R2
Soybean CBOT	Mar-13	1406.6	1410.2	1414.0	1420.8	1426.9
Soybean NCDEX	Feb-13	3297	3308	3320	3329	3338
Soybean ACE	Feb-13	3297	3308	3320	3329	3337
Soy Oil CBOT	Mar-13	49.18	49.30	49.44	49.60	49.75
Soy Oil NCDEX	Feb-13	693.1	694.5	696.2	697.4	698.6
Soy oil ACE	Feb-13	694.5	695.3	696.3	697.2	698.0
RM Seed NCDEX	Apr-13	3505.4	3519.6	3535.0	3558.7	3579.7
CPO BMD	Mar-13	2499	2503	2507	2513	2518
CPO MCX	Jan-13	437.2	439.2	442	443.1	444.6
Castor seed NCDEX	Jan-13	3536	3581	3633	3662	3688

### Spices Insight:

**Pepper:** Pepper futures prices are expected to extend the bearish trend amid rising quality issues resulting in speculative activities. Despite good demand in domestic markets and poor supplies pepper prices are falling, influenced by prevailing exchange warehouse related issues. Six commodity warehouses in Kerala have been sealed over the complaint of adulteration in black pepper stocks. FMC has also asked exchange for not releasing next contracts in pepper until this matter gets settled.

**Turmeric:** Turmeric prices are expected to remain down during early trading hours extending the previous losses. However, prices might recover during late hours amid rising demand from north Indian buyers. Further, arrivals of quality hybrid turmeric might also support the uptrend. According to trade sources, trend is expected to remain positive till mid January amid good upcountry demand; later on prices might correct with advent of fresh crop season.

**Jeera:** Jeera prices are projected to continue the bearish trend amid subdued demand at spot front. According to trade sources, sowing data released from Gujarat government is much higher against the previous expectations. Hence, increased acreage in Gujarat is likely to weigh down on jeera prices. However, a small recovery on short covering can be seen towards the weekend which might create fresh selling opportunity in market.

**Chilli:** Chilli prices are projected to continue the long liquidations in today's trading session. Overall trend is also weak amid ample supplies coming at spot markets which might pressurize chilli prices later in the day. However, a small recovery can be seen after a huge fall in prices; but this recovery is expected to remain short lived due to prevailing bearish fundamentals. According to trade sources, fresh crop harvesting has been started in AP which might also weigh down on prices in coming days.

**Cardamom:** Cardamom prices witnessed very choppy trend, biased towards selling side during Saturday's trading session. From opening of the session futures prices started trading in a very range bound manner on prevailing mixed sentiments and futures prices ended the day on marginally lower note.

**Dhaniya:** Dhaniya prices are expected to trade on positive note on continued short covering. Poor sowing progress as farmers are shifting to other crops might support uptrend. However, ample supplies at spot front due to huge carry forward stocks might limit sharp gains in prices towards the end of the day.

Commodity	Contract	S2	S1	CLOSE	R1	R2
Pepper NCDEX	Feb-13	33753	33875	34010	34140	34258
Turmeric NCDEX	Apr-13	6470	6522	6580	6624	6663
Jeera NCDEX	Mar-13	14610	14658	14710	14791	14862
Chilli NCDEX	Mar-13	6100	6117	6136	6162	6184
Cardamom MCX	Jan-13	1003	1009	1016.3	1021	1026
Dhaniya NCDEX	Jan-13	5167	5238	5319	5359	5396

## Cereals Insight:

**Maize:** Maize prices are expected to trade on a lower note in today's trading session on account of sluggish demand from starch and poultry industries. Expecting further fall in prices, bulk buyers are not actively participating in maize procurement. Rabi crop arrivals are expected to reach the market by January end which is likely to weigh on the prices. Exports are projected to be 1.5 million tons, 30% less Y/Y. Rabi season sowing is progressing at a good speed as remunerative returns made farmers to shift towards maize sowing. According to the Andhra Pradesh Agriculture Department, as on December 19, 2012 Rabi maize acreage is up by 10% at 1.95 lakh ha compared to 1.78 lakh ha reported last year. Area under Rabi maize is more this year in Maharashtra compared to last year according to official sources. This is expected to keep the prices on a lower note in the near term.

**Wheat:** Wheat prices are expected to trade on a lower note in today's trading session on anticipation of better sowing prospects. Sufficient supplies and sluggish demand from bulk buyers like flour millers would keep the prices subdued in the spot front. Govt. has increased the MSP (Minimum Support Price) by Rs.65/qtl to Rs.1350/qtl. Exports of wheat have been further increased by 2.5 million tons by the Government. This would cushion off huge losses in wheat prices. According to State Agriculture Department, wheat sowing in Punjab is expected to exceed the target of 35 lakh ha and 95% of target area has been sown already in Haryana. According to the Ministry of Agriculture, as on Dec 28th 2012, wheat sowing in India is marginally down by 1.45% Y/Y at 272.79 lakh ha compared to 276.81 lakh ha last year. But this would not have major impact on production since acreage is reported to be higher in major wheat growing belts of Punjab, Haryana, Uttar Pradesh, and Madhya Pradesh. Hence, rising pace of sowing under wheat crop is expected to keep prices under pressure in the medium to long term.

Commodity	Contract	S2	S1	CLOSE	R1	R2
Maize NCDEX	Dec-12	1355	1359	1364	1370	1375
Wheat NCDEX	Dec-12	1585	1589	1593	1595	1598
Barley NCDEX	Dec-12	1333	1339	1345	1351	1356
Chana NCDEX	Dec-12	3786	3795	3806	3822	3836

## Non Agri-Reports:

**Metals Insight:** Today morning base metals are trading positive by at 0.50% to 0.77% LME electronic platform. Early morning the Chinese purchasing manager's index increased the highest level in the last couple of years and supported price gain. Further, the Japanese markets are closed today due to the coming New Year. All these factors have supported gains in Asian equities and base metals. As discussed in our weekly report, we expected base metals to track the developments of the US fiscal negotiations. During yesterday's special Sunday session, both the Republicans and Democrats failed to reach consensus over the income and estate taxes that may contribute more than 40% of the total amount to avert the fiscal cliff. The Republicans continued to claim it to be an irony on the part of the US President while the Democrats remained optimistic on timely execution. However, similar to our earlier stance we expect markets are likely to react negatively as hopes are fading at a faster speed over the weak developments. Further, there are no major economic releases expected from the European bourses, which may trigger fresh cues to the metals pack. European markets are also likely to remain at a blend on the back of positive Asian sentiments and concerns of US. From US, the Dallas Fed manufacturing is likely to improve slightly however, base metals are likely to react to the fast eroding sentiments over fiscal cliff and may tend to shed gains as the session progresses. Fundamentally, the spot demand has also remained weak as traders either have closed positions ahead of the New Year or might be uncertain during the holiday for fresh positions and is likely to support downside in base metals. At our domestic front, the current account balance is likely to remain weak with increasing deficit and may continue to pressurize gains in rupee. This in turn might limit the downside in dollar denominated base metals at MCX, however on the back of weak spot demand and rising concerns over US fiscal negotiation, we expect the early morning gains would shed. Hence selling base metals should be recommended eyeing the weak macro-economic front in today's session.

Commodity	Contract	S2	S1	CLOSE	R1	R2
Copper Comex	Dec-12	356.7	357.8	359.00	360.3	361.5
Copper LME 3M	Fwd	7864	7890	7918	7946	7971
Copper MCX	Feb-13	436.8	437.7	438.80	440.5	442.0
Lead LME 3M	Fwd	2310	2320	2330.50	2339	2346
Lead MCX	Dec-12	126.5	126.7	127.00	127.3	127.6
Zinc LME 3M	Fwd	2052	2072	2093.75	2106	2116
Zinc MCX	Dec-12	111.4	111.9	112.40	113.4	114.2
Nickel LME 3M	Fwd	17074	17180	17299	17382	17459
Nickel MCX	Dec-12	932.9	936.6	940.7	945.4	949.6
Aluminium LME 3M	Fwd	2056	2068	2080.5	2089	2097
Aluminium MCX	Dec-12	112.0	112.4	112.7	113.3	113.9
Steel MCX	Jan-13	31335	31493	31670.0	31772	31867

## **Bullion Insight:**

**Gold:** As discussed in our weekly report, a stalled budget talk on Sunday session helped gold to revive at the Globex session. At present gold is trading at \$1661 (+\$5.10) with just a day left to avert the US fiscal cliff. Gold thus poised for a 12th year annual gain on budget impasse. Asian equities however are showing little strength after reports indicated expansion in Chinese manufacturing. Going ahead, we need to understand whether gold is having that much potential to hold the initial gain or not. The European markets are likely to open at a positive note eyeing the Asians but they should follow the progress of budget talks at late hours which might put pressure on the European shares. Gold is now more tied to the dollar, which is at present showing weakness against the majors. Excluding the market dynamics, gold inventories at the COMEX warehouses increased by 1.31% from the prior month and it is on a continued increasing mode since August 2012. So, weak spot demand may fuel prices to decline. Speculative long position in gold has outpaced the shorts by 150,096 contracts but the net long fell by 4.87% last week. Net long positions are falling since past four weeks which would have been another reason for gold's continued decline. So, irrespective of the US budget talks, gold fundamental is weak at present. So, this may be a good opportunity for initiating short from higher levels. However, we believe a concrete deal would be fatal for gold (as the US economy will be able to avert 69% of the deficit) while stalled talks should support gold.

**Silver:** Silver prices have also gained at present (\$30.18, +\$0.21) from the prior closing. Strong Asian equities would have supported the metal. Although the US budget talk stalled in the Sunday session the Asian shares did not react as the regional optimism is carrying the major weight to take the indices higher. However, as the day progress, we expect silver to pare this initial gain as the US will resume budget talk today at 11 am Eastern time. As discussed in gold's outlook, we expect Obama to take the final decision today to avert the cliff which may have a negative impact on silver prices. So, we recommend staying short for the metal from higher levels.

Commodity	Contract	S2	S1	CLOSE	R1	R2
Gold Comex	Feb-13	1652.9	1654.4	1655.90	1659.0	1661.8
Gold MCX	Feb-13	30565	30612	30663	30735	30799
Silver Comex	Mar-13	2973.1	2984.8	2997.50	3018.3	3036.8
Silver MCX	Mar-13	57146	57324	57516	57848	58142

## **Energy Insight:**

**Crude Oil:** Today morning oil prices are trading below \$90.8/bbl at the Globex platform. Lack of concrete decision on the US fiscal budget talk held on Sunday might have weighed down on oil prices. However, threat on collapse of Syria state due to prevailing civil war is limiting the fall. The UN envoy to Syria has warned that failure of government and rebels to pursue a political solution could lead to the full collapse of the Syrian state and threaten the World's security. Going ahead, we expect oil prices to gain on concern of supply disturbances in the Middle East region. Besides, the world's second largest oil consuming nation the China have reported about rise in manufacturing activity index which indicates higher fuel demand. As we proceed during European hours, we may see steady movement due to absence of any major cues from the region. There are no economic data releases from the Euro-area. From the US, manufacturing data releases from the Dallas region is likely to show improvement for the month of December. This may prove to be further supportive for oil prices ahead of another round of fiscal talk meet tonight. Therefore, we expect oil prices to trade in a positive trend in today's session.

**Action Point:** Technically, we suggest remaining on buying side for the day.

**Natural Gas:** Natural gas prices climbed higher as storage level declined by 79 BCF. Besides, concern of geopolitical tension in the Syria also supported gas prices to trade high. February contract closed at \$3.46/mmbtu with gain of 1.5% at the NYMEX platform. Today morning, natural gas prices are trading above \$3.4/mmbtu at the Globex electronic platform. As we proceed, we expect gas prices to continue its upside trend on concern of geopolitical tension in Syria. However, as per MDA weather service meteorologist, weather is likely to remain warm in the current week which may not drive higher demand.

**Action Point:** Technically, we suggest remaining on buying side for the day.

Commodity	Contract	S2	S1	CLOSE	R1	R2
Crude Nymex	Feb-13	90.0	90.4	90.80	91.3	91.7
Crude Oil MCX	Jan-12	4959	4976	4995.0	5018	5039
Natural Gas Nymex	Feb-13	3.359	3.411	3.469	3.504	3.537
Natural Gas MCX	Jan-12	185	188	191.40	194	195

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