



Mustard prices to stabilise

Mustard: Tracking soy oil

Some decline in arrivals is expected on the near term which has kept the prices firm. Firm soy oil has also added good strength to the prices. The peak arrivals would be over by the end the month or early part of June. Even though some weakness in demand is being reported from the spot markets, but declining arrivals would support the prices.

Soy bean: Stable

Both spot and futures prices are expected to be flat in the next few days due to lack of any major trigger. The downside is supported as the stockists and farmers are not willing to sell at the present moment. Prices of soy oil have also seen some mild firmness which has supported the prices. Traders are hoping for some depreciation of the rupee versus the dollar will boost soy meal exports that had fallen due to the recent gains of the home trading unit, thereby giving a push to soy bean demand.

Soy oil: Overseas cue strong

The continued bullishness in palm oil prices has supported the domestic soy oil prices very well. The prices recovered fairly well during the last couple of trading sessions last week. Benchmark July palm oil contract on Bursa Malaysia ended up on bullish sentiment generated after Malaysian Palm Oil Board detailed the exports and the reserves figures for April. The June soy oil NCDEX contract is expected to move between Rs480 and Rs490 per 10kg in the short term.

Chana: Huge stocks build up

The NCDEX has advised clients to comply with the Essential Commodities Act, which was reinforced by the Delhi government along with a few other states. According to the order, the upper stock limit for pulses prescribed for wholesalers is 200 tonne beyond which they are required to obtain licence. This has prompted a lot of players to cut on their long positions beyond 200 tonne. This has softened the prices in recent days and the trend is likely to continue.

Gold: May have minor upside

Trading in precious metals' market on Friday was lacklustre. Gold spent the entire day within a very tight band of \$668-72, before ending the New York session at \$670.10. Silver, though fell down below the crucial \$13 support, recovered to end the week at \$13.20 an ounce.

The backdrop of this trading was made of the dollar's movement. The greenback extended its rebound from an all-time low against

the euro on speculation that the difference between the US and European benchmark interest rates won't narrow as much as traders had expected.

The dollar rose 0.49% to \$1.3524 per euro this week, up from the record low of \$1.3681 set on April 27. The US currency traded at 120.20 yen, compared with 120.18 on May 4. The dollar touched 120.54 yen, the strongest since February 27, when global stocks tumbled.

Of late the dollar's strength has been witnessed in spite of unfavourable economic indicators. This was also the case on Friday. Retail sales in the USA unexpectedly fell last month, a sign that higher gasoline prices and falling home values are taking a toll on consumers. The 0.2% decrease, the most since September, followed a revised 1% gain in the prior month, the Commerce Department said on Friday in Washington. Purchases excluding automobiles were unchanged.

The report heightens concern that a pull-back in consumer spending, which accounts for more than two-thirds of the economy, will jeopardise the expansion. Federal Reserve policy makers, who during the last week maintained the economy would grow at a "moderate" pace and said inflation was their "predominant" concern, may now have more to worry about.

Simultaneous to this indicator, another data was released on Friday; the US wholesale prices index. According to it, the prices rose in April on higher costs for energy and food. Excluding food and fuel costs, prices were unchanged for the second month in a row.

Prices paid to factories, farmers and other producers rose 0.7% after a 1.0% gain in March, the Labor Department reported on Friday in Washington. The last time the so-called core producer prices went two months without an increase was at the end of 2005. And now the prognosis for the day. Keeping in mind the lacklustre action on Friday, it seems the first day of the new week may again see charmless trading, given that today no major economic indicators is supposed to be released. However to bolster the precious metals, crude oil is sailing smoothly over \$62 a barrel and the stock markets have risen in the USA on Friday and today morning in Asia. Gold may rise marginally and end up with gains amounting to \$3-4. Out of this, the yellow metal has already added a dollar and a half during the early morning Asian trading. So it would not be surprising to see gold ending up the day at \$673-4.

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