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Oil to trade firm

Crude oil: Price curve to skew upwards

Oil was back in action following a slew of market moving news including the release of the IEA monthly oil report and DOE's inventory numbers. IEA maintains global oil product demand at 84.5 million barrels/day in 2006 (+1.1% versus 2005) and 85.9 million barrels/day in 2007 (+1.7%). However the report is cautious about the 2007 forecast as it faces downside risks, due to the uncertainties regarding the US economy. The IEA has reduced China's 2006 demand growth rate to 5.6% from 6.2% given the weak demand over the past three months, paving the way for choppy sessions ahead.

Nevertheless, the total industry stocks fell by 40 million barrels in October, to 2,721 million barrels, some 33 million barrels higher than last year following the strong demand and protracted refinery maintenance. Further, the forward demand cover fell to 54 days in October, one day lower than September, enough to keep the oil prices up yesterday.

China will host ministerial-level energy talks with the USA, Japan, South Korea and India on December 16 aimed at strengthening security of supplies including the building up of strategic stockpiles. The unexpected drawdown in oil and product inventories further saw oil prices sustain the upmove.

Although uncertainties prevail with OPEC production cuts, a pro-active measure by OPEC should prompt a decent cut sooner than later. And, as oil prices found a base at around \$60 per barrel, the risk of the price curve skewing upwards is likely.

Bullions: To trade weak

The dollar, which climbed after a report showed US retail sales increased last month for the first time since July, was steady against both the euro and yen inducing some selling pressure in the precious metals complex. Today the November CPI, October TICS and industrial output numbers will be released. The mixed data expected today could see a rise in the greenback. Expect gold to trade weaker in its current range.

Soybean: Good demand in spot

Physical demand for the beans is intact but unavailability of ready stocks in bulk has considerably affected the open market prices. Buffer stocks with the plants are reported to be sufficient to continue normal crushing, but would not last long. Restricted selling from stockists and hoarding by the producers has become a regular phenomenon.

Soy oil: Mixed international cues

The reduction in the prices of mustard by NAFED affected the soybean complex. Weak CBOT futures too added to the bearish tone. The palm oil futures were trading in the red this morning. However, the eCBOT soy oil futures were trading sharply higher. The market has seen some inventory buildup in the recent weeks, which has been weighing on the market.

Mustard: Rate reduction by NAFED

The open market rates for mustard seed [stocked during 2005-06] declared by NAFED were revised down by Rs15 per quintal, as buyers showed interest at these prices. The spot market sentiments too followed suit. Stockists were said to have eased the prices for mustard seeds in consensus with the prevailing trend and resold the seeds to millers and crushing plants in bulk. However, the demand for mustard seeds was reported to be normal and expected to improve with further relaxation in the prices.

Wheat: Range-bound

Stockists have been releasing their stocks as the Government of India has extended the ECA in respect of wheat for a period of six months or till further order, whichever is earlier under the Essential Commodities Act, 1955 to bring out hoarded stocks of these items in the open market. The demand from south India has been very low this season due to the availability of imported wheat in these states.

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