



Bullions: Pull-back unsustainable

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The prospects of Japan hiking its interest rate by a quarter percent and speculation that the ECB will raise interest rates at a faster pace than the Federal Reserve should see the tightening of global liquidity. China may raise interest rates and let the yuan strengthen to cool investment, China Business News said yesterday, citing China Banking Regulatory Commission official Wang Yanyou. Though any strength in the euro might support the prices of bullion, an uptick in the Japanese yen definitely would not be good for bullion. We believe that any pull-back will not be sustainable, as gold has to build a much stronger base before inching higher.

Copper: Range-bound with a positive bias

The red metal gained \$15 yesterday, but is currently trading at \$7,849 per tonne, up \$94. Copper is likely to be range-bound with a positive bias on fears that the Escondida mines may witness a strike. Escondida produces 8.5% of the world's copper. The likely supply disruption might give some strength to the counter.

The Jinlong Copper Company of China is expected to increase its capacity to 350,000 tonne from the current 210,000 tonne by as early as 2007. Expect copper to trade in a range with a positive bias.

Sugar: Range-bound

The government has been requested to relax the export ban on mills that have export obligations. The directive issued by the food ministry has banned exports till March 2007.

Amidst the uncertainty regarding the ban on exports on mills with export obligations, sugar is likely to trade in a range.

Crude oil: Range-bound

Crude oil fell for the fourth day in New York on speculation that a US Energy Department report tomorrow will show that the nation's gasoline stockpiles were little changed from last week on reducing demand from the refiners.

With the Iran issue subsiding a bit and the demand for gasoline likely to peak, an ample gasoline supplies report would throw oil markets into yet another round of profit taking. Nevertheless, oil is more likely to travel in a range.

Soybean: Range-bound weakness

The spot soybean prices remained weak on account of the release of stocks by the stockists. The sowing process is nearly complete in the soybean-growing areas of the country. The rains have also been more or less adequate in these areas. The lull in the demand for soy oil and its subsequent weakness also added to the weak sentiment in soybean. The spot market is expected to trade on the lower side in the next few days.

Wheat: Stable

The prices of wheat continued to be stable in the Delhi market amid good demand. However, the prices are not expected to see a major uptrend, as the supply situation is also good. MMTC has floated a tender to import about 25,000 to 50,000 tonne of wheat, the company said. The strong monsoon in the northern part of India has also put pressure on the prices.

The Snapshot							
Commodity	Month	Closing price	%Cng	OI(000)	% Cng	View	Remarks
Crude	July	3,376.0	-1.00	226.4	14.23	Range-bound	Iran issue subsiding, gasoline supplies to show a rise
Gold	August	9,375.0	1.06	6,960.0	-1.51	Weak	Interest rate decisions by various central banks
Copper	August	362.6	0.55	4,383.0	-15.71	Positive	Expected strike in Chile
Sugar	July	1,874.0	-0.27	26,250.0	10.57	Range-bound	Ban on export obligation to be removed
Wheat	July	828.6	-0.62	81,400.0	0.53	Stable	Good supplies, imports

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