Export enquiries in pepper

Pepper: Some export enquiries

US buyers offering $2,750 (Rs121,577) per tonne for MG1 grade pepper, for delivery during the March-June period, may help firm up prices of the commodity. These buyers are turning to India possibly because sellers in Vietnam are holding on to their stocks. With the arrival of the Vietnam new crop there is an anticipation that the prices would fall. There is good domestic demand, as the grinding industry wants to cover before the onset of monsoon. Hence, they are buying directly from the primary markets. The arrivals at the terminal markets during the week have, therefore, been very thin.

Copper: Rises on US industrial production embarrass

The COMEX May contract crossed the formidable psychological resistance of $3 last Friday as the US February month-on-month industrial production threw a positive surprise and rose 1% as against the forecast of 1%. The manufacturing output gained 0.4% as the production of motor vehicles and high-tech goods rose. The output of durable goods gained (helped by an increase in the output of automotive products) while non-durables declined. The inflation data was discouraging as it reiterated the build-up of inflationary pressures. Month on month the CPI rose 0.4% (forecast 0.3%) led by food and energy prices; however the less volatile core CPI was in line with the expectation.

Weekly Shanghai stocks recorded yet another increase on the heels of rising imports in the last three months. The LME warehouses recorded no inflows while the outgo was 1,725 tonne spread across three active continents. The cancelled tonnage perked up again after recording a low rate on Thursday. A hefty tranche of 2,475 tonne found its way to the cancelled category with the USA and Europe leading the tally. The spread remained tight and the cash-to-three-month stands at $60 presently. China's refined copper production slipped lower in January-February 2007. The market would be closely watching the production numbers in the coming days.

The red metal closed with a gain of $70 at $6,610 on LME. However the volume was low. The latest CFTC report (effective March 13, 2007) shows that the net non-commercial shorts have come down by 1,054 lots. However we expect that in the next two days many shorts would have covered as the metal ran through the challenging zone of $6,370-6,400 to hit the high of $6,620. The People's Bank of China yesterday raised the benchmark one-year lending rate by 0.27 percentage point to 6.39% to cool the investment growth as its surging trade surplus increases its friction with Europe and the USA. The development is negative for metals however as the market has been expecting this measure for quite some time, so in a way the news might have been factored in to a considerable extent. The metal is likely to move up after an initial consolidation.

Gold: Up on dollar woes

A larger-than-expected accrual in the US February consumer prices and a remarkably strong industrial production scenario subdued the chances of a Federal Reserve interest rate cut, thus pushing the US dollar to the pits. It is another matter that some analysts insist that the pit is bottomless and it would take a whole-hearted effort for the greenback to find some support.

As a result, spot gold price advanced on Friday as an increase in US consumer prices and a resulting drop in the dollar drove inflation-wary investors to precious metals. Gold moved within an 11-dollar band, going up from $645.90 to $656.40, before closing at $652.20. Silver moved from the low of $12.94 to the high of $13.24, before closing at $13.10.

In India, on MCX Gold April traded between the extremes of Rs9,404 per ten gram and Rs9,309 per ten gram, before closing at Rs9,379 per ten gram. Silver May traded between Rs19,580 per kilogram and Rs19,368 per kilogram, before closing at Rs19,520 per kilogram, gaining Rs113 compared to the previous closing.

And now for the trading pattern on this day. Making predictions is becoming an increasingly difficult enterprise, given the fact that the markets are behaving erratically. The precious metal markets may continue to search for direction. However, given the last week's data that pushed the greenback down the drain, it would not be difficult to witness resurgence in the precious metal prices.

This is what seems to be happening this morning. Gold is up almost two dollars in Hong Kong trade. If the trend continues, and if oil doesn't fall further, it is possible the market in India may open with an upward gap. Gold April may find the resistances at Rs9,421 and Rs9,479 while the supports may come in at Rs9,301 and Rs9,231. Silver May may feel the caps at Rs19,649 and Rs19,792 while the supports may pull in at Rs19,401 and Rs19,292.

Soy bean: Demand in spot

The spot markets of major trading centres in Madhya Pradesh have been witnessing good demand from stockists. India's oilseeds output for the crop year ending June is estimated at 22.67 million tonne, down from 23.97 million tonne a year ago, according to latest industry estimate released by Central Organisation for Oil Industry and Trade. The rabi output is projected at 9.52 million tonne, against 10.27 million tonne. The kharif output is estimated at 13.15 million tonne, against 13.70 million tonne.

Soy oil: Range-bound

In spot markets, soy would be mostly steady as demand is seen matching the supply. Low import of edible oil in February will keep sentiments slightly bullish. Soy oil will track Malaysian crude palm oil prices, which are bullish according to industry experts at the recently held conference on palm oil. However, the postponements of genetically modified soy oil import issue till the end of this year could lead to some increase in the imports later in the year.

Mustard: Buy on dips

Mustard seed prices are also seen steady in the coming days as increasing arrivals in spot markets will offset the news of crop damage in Rajasthan. Concerns of crop damage in Rajasthan due to rains had led to bullishness in prices in the past few days. Local trading community expects the damage to be around 10-15% of the crop.