commodities buzz

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Mustard stocks rising

Mustard: Rise in stocks

May mustard seed contract on NCDEX is expected to be slightly subdued because of huge stocks in the NCDEX-registered warehouses, which gives an indication of higher delivery. Mustard seed inventories on NCDEX warehouses against May delivery have been steeply rising for the past few months. As of May 1, total stocks have risen a whopping 280% since the last three months, NCDEX data showed.

Soy bean: Stable at these levels

Soy bean prices should stabilise at these levels. Due to very low stocks in the market, major downside should not be expected from these levels. However, some range-bound movement in mustard and soy oil could restrict the counter from rising very much. Arrivals are low, there is modest local demand from oil crushers and exports of de-oiled cake have slowly started to improve, giving prices some support.

Soy oil: To remain range-bound

Soy oil prices are expected to remain range-bound due to some reduction in retail demand. The rupee's rise too can exert some downward pressure on the counter. The reason for slackening retail demand is marriage season entering a lean period. The futures market too would be looking for developments in the spot prices for a near-term trigger.

Chana: Subdued

Chana prices too are expected to swing in a range due to any fresh trigger on the either side. However, rising warehouse stocks have restricted the players from making huge purchases at the current levels. The May NCDEX future prices are expected to move between Rs2,320 and Rs2,250 per quintal until the expiry.

Copper: Bullish run continues

Lack of clarity on the strike front and continuously falling LME stocks gave the bulls an upper edge and the surging metal took out $8,200 level with ease. It appears that after breaching the $8,100 level, the metal has got itself in quite a strong position to aim for the previous year's highs. Of course, the metal got a good help from the stronger than expected manufacturing data released in the week. Friday's non-farm payroll data came below the expectations but by that time the metal had gained so much momentum that the market found another opportunity to push it higher on the grounds that the weaker US Dollar--due to lower than expected NFP data--would make the metal cheaper in the other currencies. This in fact does matter as the demand in the other nations emerged as a decisive factor. It is really an interesting situation when one looks at the metal's movements in connection with the US data. Strong US data is fundamentally helping the metal whereas weak US data too is helping the metal on account of the weak USD. Though the Peruvian strike is one of the major factors that flared the metal, but it would be really surprising if the market believe that the strike could continue long enough to seriously dent the supply. So it appears that the counter basically wants to be up.

LME stock data was quite favourable with the net draw being 1,100 tonne with a good cancellation rate recorded at 1,250 tonne. The cancelled tonnage ticked a tad lower to 8.41% from 9.04% earlier. The cash-to-3-month spread has eased by $4 to $55(b) now. The metal continues to be in backwardation but it is less than the highs witnessed last year. The other metals have also been helped by surging copper. Zinc took out $4,100 level and nickel took out $51,000 level. However, aluminium continues to be a laggard still trading below $2,900.

Having taken out $8,100, the metal would face its next resistance at $8,440. The strike at Peruvian miners is over as an agreement has been reached with the government being given 60 days to comply with promises. The news could lead to some correction in the metal prices, however, "strike premium" might not be really that high in the prevailing prices. So the metal, after some correction, is likely to resume its upward journey with its strong technical momentum. It would be aided with fundamental factors with the previous year's highs in sight.

Gold: In happy street

Gold performed smart moves on Friday; after hovering around $680-82 level all the day, it made quick gains during the New York session and added more than $6 to end the session at $686.90. Silver was equally vocal, adding more than 15 cents to the day's low. The rise in both the precious metals came in the wake of renewed weakness in the US Dollar, which took a tumble after the latest economic indicators showed a gradual decay of the economy.

Take, for example, the US Payrolls data; according to it, the employers in the US during April 2007 added the fewest jobs in more than two years as payroll losses spread beyond homebuilders and manufacturers. Simultaneously the jobless rate rose to 4.5% from 4.4%, which matched a five-year low.

The details of the economic indicators described that the 88,000 increase in employment followed a 177,000 gain in March that was smaller than previously estimated. As can be understood, the greenback had nowhere to go except down south; and that's what it did.

The economic indicators released on Friday yet again amply demonstrated the inherent weakness in the US economy. It is true that the dollar will continue to raise its head from time to time, the larger truth is the head will be increasingly found prostrating at the alter of the other important currencies and most importantly, against gold.

In the words of Peter Schiff, President, Euro Capital: "Compounding the problem is the fact that job growth is stalling. April's 88,000 gain in non-farm payrolls is the most anemic in over two years. As falling real estate prices, rising mortgage payments, and tighter lending standards knock the legs out from under American consumers, look for even worse jobs reports in the months ahead. If Americans are struggling to make ends meet now, imagine how much harder it will be without paychecks!"

Coming to the trading on Monday, it must be said that gold seems on course to conquer the mount $700. Though crude oil has fallen, but it is still persisting above $61 a barrel and is expected to rise, given the rising demand in the wake of the driving season. Besides, the early morning trading has been favourable. Though movements in Sydney and Hong Kong have been erratic, gold has made good gains in Tokyo market, after the Japanese investors bought back actively after returning from a four-day holiday.

Stock markets also seem to be in a bullish mood, with Nikkei scoring a solid 1.5% in the morning trade. So gold should not have difficulty in staying in happy street today.