commodities buzz

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AP maize output to be higher

Maize: AP output expected to be higher

Andhra Pradesh's maize production in 2006-07 (October-March) rabi season is estimated to rise 42% to 1.2 million tonne, fuelled by better returns for farmers in spot markets. The average yield per hectare is expected to be about 30 quintals (1 quintal = 100kg). Also, setting up of many new maize-based ethanol units in the state is likely to further increase the acreage in the next season.

Soy bean: Range-bound

Soy bean spot and futures were marginally up yesterday due to slack supplies in the spot markets amid stable demand. On the National Commodity and Derivatives Exchange, May soy bean was quoted at Rs1,467 per 100kg, up Rs2.85. Supplies have slightly slowed down as farmers and stockists are busy with five-day Holi festivities. Moreover, most farmers are not concentrating on rabi oil seeds like mustard. In the spot markets, around 25,000 bags (1 bag = 90kg) of soy beans arrived yesterday in Madhya Pradesh, flat versus Monday. The crop was selling in the mandis (markets) at Rs1,370-1,410 per 100kg and the plant delivery rates were Rs1,450-1,475 per 100kg.

Soy oil: Consolidation phase

Soy oil futures were struck in a tight-band today, as traders were undecided about its direction. While, a waiver of 4% special additional duty on imported edible oils and fears of a government clampdown on edible oil futures to ease spiralling prices are preventing aggressive buying, a fall in local oil seed production is giving good support on the other hand. Meanwhile, the benchmark May crude palm oil futures on the Bursa Malaysia Derivatives closed up to 1,943 ringgits per tonne (Rs24,560), up 20 ringgits from the previous close.

Chana: Short covering before expiry

Chana futures on National Commodity and Derivatives Exchange closed higher yesterday on short covering in the absence of any major action in spot markets. Chana prices in Delhi spot markets rose by nearly Rs50, due to supply constraints because of Holi holidays. As most of the chana spot markets are closed for Holi, the markets are experiencing supply constraints. In the futures market, chana traded in the positive territory throughout as zero stocks in exchange warehouses prompted traders to cover short positions.

Pepper: Vietnam pepper at a discount

Pepper stayed flat for both garbled and ungarbled grades in India Pepper and Spice Trade Association's spot counter. Pepper futures recovered partially due to short covering and buying at lower levels. The amazing difference in the quotations of black pepper on the NMCE and the NCDEX has also triggered a drop in spot prices.

Copper: Gains in line with equities

A steady tone in copper was evident right from the start as the Asian equity indices were seen advancing after the recent global equity slump. A draw of 1,125 tonne in LME stocks also helped the cause of the red metal and it closed with a gain of $90 at $5,980. However volume was light yesterday as many players continue to wait on the sidelines.

US data released yesterday showed that pressure on copper is going to continue as Q4 productivity dipped (up at an annual rate of 1.6%, down from the 3% estimated last month, forecast 1.5%), the quarter-on-quarter unit labour cost rose (6.6% as against the forecast of 3%) and pending home sales tumbled more than the forecast. Last year's productivity gain was the lowest since 1997. Productivity and labour cost data raises the fear of inflationary pressure, thereby reducing the chances of overnight Federal fund rate cut. Pending home sales data assert the fact that housing is still very much a drag on the economy, posing a risk to copper as the US housing consumes around 5% of total production. Factory orders dipped lower (the biggest monthly decline in last six years) than the decline estimated in the forecast. The Euro zone's Q4 GDP, supported by exports, was in line with the forecast. The yen carry trade unwinding comes to a halt for the time being as the Japanese currency fell on rise in global equity markets. Both currency play and crude oil movements were supportive for copper.

LME stock data showed a huge inflow of 3,325 tonne while the outflow recorded 4,450 tonne. Rotterdam registered 2,700 tonne while the rest came at St Louis. Interestingly, the biggest draw (3,550 tonne) came at Rotterdam only. Despite the hefty cancellation of 2,775 tonne, the cancelled tonnage has come down to 6.94% as the cancellation didn't quite match the draw. The inflows are thus suggesting that the outflow could be restricted in the coming days if fresh cancellations don't accelerate. The cash-to-three-month contango further tightened by $0.5 and now stands at $19 while even the forwards reflect a tightening of spreads.

Copper is likely to rise further if equity markets stabilise. However, equity investors remain wary. The risk of the trouble in the US sub-prime lending sector spilling over to prime mortgages is another issue dogging the Wall Street. The falling global stock markets could initiate a fall once again in all the metals, though the drop in the metals might not be as sharp as in the equities.

Gold: A drifting day ahead

As was predicted yesterday, the bulls came along, sniffing the buying opportunities at the lower levels. Gold was really a bargain at $630 levels and so was silver at around $12.50, and it can be said that they made the most of the opportunity. There are also reports that physical buying came along and gave the much-needed support to the market.

No doubt the real support came from the improvement in sentiment in stock markets. With the Dow Jones keeping its shirt on during the last two days, there is no doubt the investors are breathing out a sigh of relief.

Gold moved within a narrow band from $640 to $649 and the New York session closed at $645.10. Silver's channel was broader, as is the case most of the time, showing a higher side of $13.08 and a lower one of $12.68. Right now gold is more or less at yesterday's New York closing while silver is at $12.96 (8.30am).

In India on MCX Gold April swung between Rs9,377 and Rs9,299 before closing at Rs9,351. Silver May moved from a high of Rs19,540 to a low of Rs19,161, before closing at Rs19,409. The volumes were subdued no doubt, with both the metals clocking about Rs2,700 crore worth of business in the near month contracts.

The prognosis is good; after the debacle, the coming one or two days will be of reasonable silence. Not much activity is expected. Both the precious metals may dither within a narrow aperture, until some scintillating news hits the markets.

With Dow Jones striking a 157-point gain and with oil firm at $60+, one thing is sure: the precious metals are not going to travel southwards. Gold April may witness the highs of Rs9,409 and Rs9,479 while the supports may come in at Rs9,277 and Rs9,204. Silver May may feel the resistances at Rs19,567 and Rs19,619 while the supports may be drawn at Rs19,281 and Rs19,201.