



Copper under pressure

Copper: Under pressure

The red metal gained \$60 and closed at \$6630 a tonne yesterday on the LME. The counter is still under pressure and the growth in the demand for copper is clouded, as the interest rate concern still looms large. Hence sell on rise.

Bullions: Bounce sustainable

Bullions snapped one of the longest falls and managed to close with gains yesterday. The much-awaited CPI numbers came in at the top end of the expectations while the core CPI numbers exceeded the market forecast, increasing by 0.3% month on month. This created a temporary jerk in the metal prices that are bouncing back from their earlier losses.

Rising rents, which account for almost 40% of the core CPI, saw the inflation accelerate by a huge 0.6%. With one section of economists arguing that rising rents are an outcome of the slowing housing market, another section says rising rents indicate good economy and low unemployment. Inevitably, this prevented bullions from sliding further as the dollar fell from its recent high following concerns of the growth slowing if the Federal Reserve continues to increase interest rates.

The Bank of Japan (BOJ) kept its key interest rate near zero percent two days after the Nikkei 225 stock average sank to its lowest level in almost seven months. The decision by governor Toshihiko Fukui and his eight board colleagues, who have signaled since March that they are preparing to increase rates, was unanimous. It now seems that if the stock market stabilises and all the indicators remain in good shape, the BOJ might go ahead with its tightening policy measures. This is indeed good news for bullions.

Today's Empire manufacturing survey and the weekly jobless claims are also expected to support the prices of bullion. Expect the bounce to sustain for the day.

Crude oil: Firm

Crude oil traded above \$69 a barrel in New York after rising yesterday on a bigger-than-expected drop in the US oil inventories and speculation that the recent sell-off in the commodities was overdone. Oil stockpiles fell by 980,000 barrels to 345.7 million barrels in the week ended June 9,

almost twice the 500,000-barrel decline forecast by the market. Although the fall of one million barrels is not too big a number amid both the distillate and gasoline stocks coming in higher, yesterday's bounce was more of a relief really after the recent selling. Expect crude oil to trade on a firm note.

Aluminium: Sell on rise

The production of alumina is likely to increase systematically during the course of the year with the expected improvement in the power availability in China. This would also increase the production of aluminium. Hence sell on rise.

Sugar: Exhibiting weakness

The stock position on the NCDEX has improved a little after the sharp decline in the last few days. The present stock is at 7,368 MT (as of June 13). The traders saw that sugar was selling at considerable higher prices in the spot market and started offloading stocks from NCDEX warehouses, which resulted in a huge decline in the stocks within a short time span of time. The present stock levels are much lower as compared to the net open positions. As a result if all the traders seek delivery from the exchange warehouses, they would prefer cash settlement than its physical delivery. The prices got some intra-day support, but turned weak. Expect sugar to exhibit weakness.

Soyabean: Range-bound

The soybean prices remained more or less range-bound on the lower side yesterday. The weakness in the soy oil prices, led to some softening in the bean prices too. The prices of the futures were also weak in early trades, but recovered to settle very close to the previous day's prices. The dry spell last week has generated some speculation over the coming sowing season. The revival of the rains in next few days could again put pressure on the counter.

Wheat: Lack of movement

The prices of wheat in the spot market were totally flat due to a stable demand and supply scenario. The arrivals during the current month have been lower as compared to the same period last year. Stockists have not been keen on releasing their stocks in anticipation of a rise in the prices next month. The news of the relaxed import norms had a negative impact on the prices of the futures, but the prices recovered in late trades.

| The Snapshot | | | | | | | |
|--------------|--------|---------------|-------|---------|--------|----------|---------------------------------------------------|
| Commodity | Month | Closing price | %Cng | OI(000) | % Cng | View | Remarks |
| Gold | August | 8,434.0 | -1.56 | 5,598 | -3.57 | Positive | BOJ postponed its decision to hike interest rates |
| Crude oil | June | 3,160.0 | 0.13 | 82.00 | -58.40 | Firm | Decline in the crude oil inventory |
| Copper | June | 308.8 | -5.70 | 3,510 | -3.28 | Weak | Clouded demand growth |
| Sugar | June | 1,920.0 | -0.21 | 19,290 | -23.60 | Weak | Lack of demand, high selling pressure |
| Wheat | June | 846.6 | -1.79 | 64,490 | -17.61 | Steady | No market moving news |
| Aluminum | June | 112.6 | 1.99 | 2,150 | -15.15 | Weak | Systematic production expansion plan |

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