



## Raids on pulses traders in Andhra Pradesh

### Chana: Some raids in Andhra Pradesh-based traders in pulses

All chana contracts, except the February ones, closed down slightly on the National Commodity and Derivatives Exchange amid expectation of government efforts to enhance supply of essential commodities to stem inflation. The state government of Andhra Pradesh has been conducting raids on traders in pulses and mills since Tuesday to check the rising prices of these commodities.

### Soy bean: Buying good

Soy bean spot and futures were up yesterday due to firm soy meal prices amid sluggish supplies owing to rains in several interior regions of Madhya Pradesh and Rajasthan. On the National Commodity and Derivatives Exchange, March soy bean was quoted at Rs1,447 per 100 kilogram, up Rs14.75 from the previous close. There has been some slowdown in supplies as heavy overnight rains in many interior regions of Madhya Pradesh and Rajasthan hampered smooth movement of traffic, but demand from extractors was steady as soy meal prices firmed up.

### Soy oil: Bargain hunting at lower levels

Soy oil futures were stable throughout the day, but closed slightly up due to bargain buying at lower levels. Firm Malaysian crude palm oil prices and strength in soy bean rates also kept sentiments positive in soy oil.

### Wheat: Govt to cut FCI floor price

The government is likely to cut the floor price of Food Corporation of India's 400,000 tonne wheat sale tender by 20%, a senior government official said today. The Food Corporation of India had set the floor price of the tender at Rs1,232.50 per 100 kilogram. The tender closes on February 19.

### Mustard: Some news of crop damage

Mustard seed spot and futures were down today due to increased arrivals of new mustard crop in India's main growing states of Rajasthan, Uttar Pradesh and Madhya Pradesh. Some slowdown in demand from extractors in anticipation of further fall in prices after the new mustard crop starts arriving in full swing also kept sentiments down, traders said.

Over 10,000 bags of mustard crop (old and new) arrived in the wholesale markets of Rajasthan today, flat versus previous.

### Gold has more steam

Gold futures jumped wildly on Wednesday, making their currently popular contract touch \$676.40 an ounce for the first time in six months, after the market gained momentum from Ben Bernanke's statement that inflation pressures were easing.

Gold for April delivery rose \$3.50 to close at \$672 an ounce on the New York Mercantile Exchange. Gold climbed as high as \$676.40 earlier, its strongest intra-day level since August 2, which saw a peak of \$677.10.

In India, on the MCX, April Gold touched a high of Rs9,634 and a low of Rs9,560 before closing at Rs9,577. Silver swung between a healthy range of Rs20,479 and Rs20,270 before closing at Rs20,320. In the process gold went past both the resistances of Rs9,589 and Rs9,621 forecast yesterday. Silver did the same; sprinting past Rs20,299 and Rs20,398.

The prognosis for the market today is healthy. Gold seems to have enough steam to hit \$675 again. With a dwindling US Dollar, there is less to worry about precious metals right now. The yellow metal may find resistances at Rs9,649 and Rs9,704 while the supports may come in at Rs9,517 and Rs9,439. Silver will follow the lead and may feel resistances at Rs20,445 and Rs20,565 while supports come in at Rs20,212 and Rs20,114.

### Copper: Down but undertone encouraging

The red metal closed slightly lower (down \$24) yesterday on a build-up of 1,650 tonne in the London Metal Exchange stocks and a drop of around 1.8% in crude oil on the forecasts of warmer weather in the eastern USA and a smaller than expected draw in the country's distillate supplies last week. Considering the usual possible impact of these factors on the copper prices, the sell-off was limited. Thus copper didn't do really bad yesterday. The euro/dollar movement provided a good support to the metal. The euro recorded a high of \$1.3152 after Mr Bernanke told the Congress that inflation risks have started to diminish. The US Federal Reserve Chairman said the US economy appeared sound with inflation easing and signalled that the current level of interest rates would cut further into price pressures. He added that the economy is likely to strengthen at a moderate pace as the drag from the housing sector diminishes (supportive for copper). Strength was witnessed across the base metals complex which also provided a solid support to copper. Expectations of Chinese buying after their new year holiday is favouring the metal. Immediate resistance is at \$5,800. Cash to three-month contango has come down by \$4 to \$27 which is slightly supportive of the metal. The currency front is likely to be favourable. Crude oil is looking soft, thus putting a downward pressure. If crude oil doesn't fall sharply and the London Metal Exchange stocks rise is limited or there is a fall, copper can advance. However, today is a data-packed day and the numbers would be closely watched for further clues.

### Other base metals: Strong performance

**Aluminium:** The metal is getting a good support from the violent unrest prevailing in Guinea and the "short squeeze" at the London Metal Exchange. The metal hit a high of \$2,865 but slipped towards the end along with copper to close at \$2,828 with a gain of \$20. The cash to three-month backwardation stands at \$68.5 presently. A stable complex today could see it breaching \$2,850 resistance.

**Zinc:** Zinc for a change moved out of copper's shadow yesterday and traded on its own fundamentals, registering a high of \$3,379. It ended the day with a gain of \$90 at \$3,310. The London Metal Exchange stocks dipped 625 tonne which was the third consecutive day of drop in the stockpiles. In fact, in the last one month the stocks have increased by only 3,450 tonne. Favourable London Metal Exchange stock data and a stable complex could see the metal trying to take out \$3,400 resistance. The cash to three-month contango fell by \$9 to \$8.50 yesterday.

**Nickel:** Nickel bulls had a reason to charge ahead when the London Metal Exchange cancelled warrants increased to 53.98% (which is pretty high) amid shrinking global stockpiles, which are hardly sufficient for even a day of global consumption. The metal recorded a high of \$37,800 and ended near its high. The immediate psychological resistance is at \$38,000. The cash to three-month backwardation has increased to \$2,575 from \$2,290 observed yesterday. The undertone appears to be bullish.

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