Chana warehouse stocks rise

Chana: Rise in warehouse stocks, weakness to remain

Spot and future prices of chana ended down on lack of demand coupled with overall weakness in the other farm commodities on National Commodity and Derivatives Exchange. The rise in chana stock in exchange-accredited warehouses to over 3,000 tonne from 131 tonne a week ago aided the fall in the prices. Chana prices were also down due to the spill-over effect of a vertical fall in chilli, guar, pepper, jeera and other farm commodities on the NCDEX. Chana futures are likely to remain subdued on Wednesday, as the rising stock in the NCDEX-accredited warehouses is likely to result in higher deliveries in May.

Base metals: Copper leads the metals down

Base metals took a beating yesterday as weaker than expected US data triggered a huge sell-off in copper which led the base metals complex sharply down. Copper was looking well placed on the support of positive LME stock data which recorded a net draw of 2,025 tonne distributed across the three active continents with the inflow of only 25 tonne coming to Rotterdam warehouse. Cancellations dipped lower with only 200 tonne moving out to the cancelled category which was insufficient to compensate for the huge outgo. Thus the cancelled tonnage ratio slipped lower to 11.56% from 22.52% earlier. Encouraging LME data boosted the metal, which hit the intra-day high of $8,095 but was unable to breach the $8,100/8,110 zone. Its inability to take out the resistance took it down to $8,000 about the time when data was to be released. Weaker than expected existing home sales (the biggest one-month drop since January 1989 on account of sub-prime woes and harsh weather despite falling median prices, though the unsold inventories dipped slightly), consumer confidence and Richmond Fed manufacturing index enabled the bears to take the rein and the metal quickly lost over $200, hitting the day's low at $7,760. Given the rapid gains (with almost no consolidation) the metal has recorded in last few weeks, longs would have hit the panic button to exit, thus pressurising the prices further. The metal was pressured further by the ICSG report that the global refined copper market was in surplus to the tune of about 40,000 metric tonne in January. However the group doesn't take into account the unreported stock changes. Crude oil also gave up around $2 as the Nigerian story got factored in and this was yet another factor that helped the metals move lower.

Aluminium was nearing $2,900, nickel had crossed $50,000 and zinc had taken out the $3,800 resistance before the red metal dragged them down. The market would be monitoring the movements in copper closely for the clues to the direction of the other base metals though nickel with a good support at $47,500 might hold on its own if the stock is supportive. Aluminium might find support at $2,800 and for zinc support would come at $3,650.

Today's US data include new home sales and durable goods' orders which would be crucial for the direction of the metals. Fundamentals of copper continue to be supportive, given the supply constraints and the surging demand of China, India and the other developing nations along with the recovering demand in Europe. Both LME and COMEX stocks continue to trend lower. Considering the fact that the metal has added strings of hefty gains in the past few weeks in its stunning run from $6,900 to $8,100, yesterday's fall should not be surprising. Support for the metal could be pegged at $7,800 and $7,650 while the metal is expected to consolidate for some time.

Soy bean: Millers stay away

Front month soy bean contract also ended down, reflecting the weakness in soy oil. Most of the crushers are staying away from the market since soy oil rates have eased. Prices were also less supported due to slightly weak soy meal prices. Good monsoon forecast for the coming season has also dampened the sentiments, as good rains would help in higher production of soy beans for the next season. The counter is expected to show a weak bias in the short term.

Soy oil: Supply glut feared

Refined soy oil futures were in the red for the second session in a row as market players exited from the contract on fears of increased supplies in spot markets in the coming days.

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Also, lack of consumer demand pulled rates down in the cash markets. The appreciating rupee has made the imports much cheaper in the last few days. Fears that higher imports would come in have gripped the market.

Mustard: Following soy complex

May mustard seed contracts closed 0.7% lower yesterday, dragged by a weak soy oil and weakness in the spot markets. In the primary spot market of Jaipur, mustard opened weak on high arrivals. Around 140,000-150,000 bags (1 bag = 100kg) arrived. Low mustard oil prices have hit the profit margins for the crushers. This has also reduced their demand for the seed. Spot mustard prices in Rajasthan were offered Rs10 lower at Rs1,810-1,820 per 100kg.

Guar seed: Strong rupee a dampener

IMD's projection of favourable rainfall during the coming monsoon season has led so some heavy profit booking in the futures markets. Spot prices were also down today on weak demand from mills as the appreciation of the rupee against the dollar is making it unfeasible for many global buyers to source guar gum from India.