Palm at eight-year high

Soy oil: Palm at eight-year high, hold soy oil

CPO futures were higher mid morning, with the benchmark June contract at new eight-year high, boosted by strong CBOT soy oil futures. June last traded +MYR22 at MYR2,083/ tonne. The domestic availability of edible oils is also being projected to be lower than last year's which has been holding the counter steady.

Soy bean: Buy on dips

Although the prices have been on an uptrend since mid-February, the correction in the counter is not taking place due to strong meal and now firm oil prices. The initial upswing was due to strong meal prices. With soy oil firming up now, the support is being provided to the beans by oil. The counter may not see a big rise from these levels in the short term, but any major correction can also be ruled out. The best strategy would be to buy on dips.

Mustard: Stay long and add on dips

The overall bullishness in the oilseeds complex due to a projected shortfall in the coming months has been pushing the mustard prices up since the last few weeks. The production of mustard in particular is expected to be lower by almost 10% this season. The Central Organisation for Oil Industry and Trade has pegged 2006-07 (July-June) mustard output at 6.02 million tonne against 6.77 million tonne in the previous year. Yesterday, arrivals in spot markets of Rajasthan were low at 230,000-260,000 bags (1 bag = 100kg).

Guar seed: Stay long in May contract

The Abhijit Sen report would be released on April 9, the event is important as it studies the impact of futures trade on price rise. This has led to some cutting of positions in guar seed as traders want to wait and watch. However, keeping aside the report, the downside is not justified fundamentally. Uncertainty may be there but we recommend remaining long in the counter.

Chana: Subdued

The Delhi spot chana closed at Rs2,445 per 100kg, down Rs113 or 4.7% from Saturday, according to NCDEX data. The Delhi spot market saw the arrival of 20-22 trucks (1 truck = 18-20 tonne) out of which chana from seven trucks from Rajasthan was sold at Rs2,450 per 100kg. Traders are also cutting down positions before the release of the Abhijit Sen committee report on April 9, they said. The committee, headed by Planning Commission member Mr Sen, will report on the impact of futures trading on the rise in prices of agricultural commodities.

Gold: Still uncertain

"Finishing second in the Olympics gets you silver." Goes a metaphor, "Finishing second in politics gets you oblivion." This is why the two governments involved in the present Middle-Eastern crisis don't seem to be ready for any compromise.

Iran has been screaming from the rooftops that all 15 of the UK personnel apprehended in the Persian Gulf more than a week ago have confessed to entering Iranian waters and thus are subjected to international laws applicable to the same effect. Previously, four of the group had been shown on TV admitting they had entered Iran's waters.

On the other hand Britain claims that the 15 soldiers were in Iraqi waters at the time of their arrest, and thus wants an unconditional release of the crew and is not "negotiating" for their freedom.

This is a classic Middle East-West stand-off and gold should have been reacting to it. That it has not reacted the way oil has reacted shows that there is more to the whole affair than meets the eye.

There are rumours that a few governments are selling physical gold, which is keeping the prices under the lid. If these rumours are true, then one thing is sure: once the sales are over the yellow metal may go on the launch pad and match diverse predictions about it hitting $700 band in the short term.

Not surprising why the precious metals market remained almost motion less throughout the day. The flurry of activity was seen during the New York session when gold first dipped to $655.70 and then added a smart ten dollars to itself. Silver followed suit, going from $12.95 an ounce to $13.45, before plunging again briefly towards the close.

In India on MCX Gold June moved from Rs9,529 and Rs9,425 before closing at Rs9,521, just Rs3 less than the previous close. Silver May saw a high of Rs19,633 and a low of Rs19,130 before closing at Rs19,521, about Rs100 less than the previous close.

On Tuesday the trading seems to be going again the Monday way. There is not much likely to happen. Though there is every single factor pointing towards the bullishness of the market, the precious metals have not yet reacted to them. Gold June may have resistances at Rs9,576 and Rs9,636 while the supports may come in at Rs9,469 and Rs9,404. Silver May might have caps drawn at Rs19,634 and Rs19,747 while it may feel the supports at Rs19,409 and Rs19,301.

Copper: Breaches 200-DMA on LME

Copper took out the stiff resistance of 200-DMA at $6,900 on signs of increasing demand in China and a strike news at Doe Run, Peru's metallurgical plant.

The metal came under pressure when LME warehouses recorded an increase of 3,000 tonne as Busan, Korea showed a hefty fresh registration of 5,000 tonne. This huge build-up coupled with the metal's inability to convincingly take out $6,900 emboldened the bears and they pushed the prices lower. The metal hit the day's low at $6,807 before some bargain buying helped the metal recover some of the lost ground with some support from the strike news at CVRD Inco's Sudbury (Ontario) operations. Copper was choppy around $6,860 and slipped again when US March ISM manufacturing index came below the expectation and the previous month's figure although it still denoted that the economy was in expansion mode albeit at a moderating pace. It appears that the market was mainly concerned about whether ISM Index would fall below 50, thus a reading above 50 helped the bulls regain the confidence. The strike news at Peru's metallurgical plant boosted the sentiments and the bulls charged ahead to take out the $6,900 hurdle, thus resolving the stand-off between the bulls and bears for once. Surging copper forced the shorts (net non-commercial shorts increased by 712 lots as per the latest CFTC report) to cover their positions and the metal hit the day's high at $6,980. The metal continued to trade on the higher end despite the news of tentative agreement at Sudbury and closed with a gain of $110 at $6,970.

LME cancellation was healthy yesterday as 4,525 tonne moved to cancelled category, lifting the cancelled ratio to 8.05% from 6.77% earlier. The cash-to-three-month spread has tightened by $7.85 to $63.85. The tightening has been witnessed across the forwards also. Looking ahead, the metal eyes the resistance of $7,000 and remains in bullish mode. However the $7,000-7,200 zone is pretty sticky and calls for caution.