



Bullions take support

Bullions: Safe-haven buying supports prices

It is rather surprising that the US housing starts data rose 5.0% to 1.957 million in May, particularly when the debate continues on the slow-down in the US home market. Home construction data rose in May from a 13-month low as builders worked on backlogs of unfilled orders and used incentives to win new business in a slowing market. Given the backlog of orders, this increase should be witnessed as a dead-cat bounce rather than a sharp revival in the US housing segment.

After taking a hit following the announcement of this set of good numbers, the bullions managed to bounce back on the back of the North Korea issue. For more details, please refer our Commodity Insights report dated June 19, 2006. As we have been maintaining, the bottom has been made for the bullions in the short term and gold is currently trading in a wide range of \$540-585. Nevertheless the bias remains positive amid reports of a revival in the physical demand back home. Thus any price stability would only increase the physical offtake.

Crude oil: Range-bound

As mentioned earlier, crude is hovering around the \$70-a-barrel mark. The recent North Korea issue has further underlined the security concerns, which are expected to support the oil prices. Meanwhile China is in talks with Saudi Arabia for filling its strategic petroleum reserves and that is inevitably positive for the oil market. Nevertheless the comfortable inventory status should limit the upmove in crude for the time being. The bias still remains positive.

Wheat: No clear direction in sight

Wheat markets all over the country have been witnessing very dull trade for quite some days now. No particular demand

increase from the various segments of the markets is visible yet. The expectation of a revival of the monsoon has been weighing heavy on the market as its participants believe that once the rains restart, stockists would be forced to release their stock, pressurising the prices. The eight bids revived for the next tender could also affect the prices;

however this has already been factored in the market price, as the import process has been going in for some time now.

Soy bean: Medium-term trend down

The spot market for soy bean remained absolutely static yesterday. In the futures market the prices displayed some bearish trend on favourable developments regarding the weather. The traders are also expected to liquidate their stocks ahead of the monsoon.

Copper: Sell on rise

Negotiations are going on in the Escondida mine, which produces around 1.27 million tonne of copper every year, over wages as the contract is slated to expire in August 2006. The inventory level at the London Metal Exchange is the lowest since February 3, 2006. Hence concerns over the supply of copper might multiply. However we maintain our call of Sell on rise owing to the uncertainty over the demand growth prospects.

Sugar: Stuck in a range

There is a lack of demand in the spot market and the selling pressure is high as the June quota has to be sold in this month itself. It has been estimated that the area under sugar-cane cultivation has been increased by 3 lakh hectare for the coming season. Hence the counter is expected to remain more or less steady, ie it is expected to trade in a narrow range.

| The Snapshot | | | | | | | |
|--------------|--------|---------------|------|---------|-------|-------------|--|
| Commodity | Month | Closing price | %Cng | OI(000) | % Cng | View | Remarks |
| Gold | August | 8,678 | 0.98 | 6,104 | -2.60 | Positive | US data, geopolitical tension |
| Crude oil | July | 3,189 | 0.25 | 239.00 | -1.24 | Range-bound | China talks with Iran for the supply, comfortable inventory status |
| Copper | June | 321.45 | 0.85 | 4,164 | 22.36 | Range-bound | Low inventory, stocks |
| Sugar | July | 1,933 | 0.10 | 32,010 | 2.33 | Range-bound | Lack of demand, selling pressure |
| Wheat | July | 879.20 | 0.69 | 159,670 | 0.11 | Unclear | No significant demand, monsoon signals awaited |

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