Bullion down on equity weakness and rising dollar

Gold: Another day of choppy trading ahead

Yesterday gold prices hovered between $670 and $675 for most time during the course of the Indian trading hours. However the $670 resistance was broken during the initial hour at the New York trading session. Even bigger losses came at the fag end of the trading session, when the yellow metal slid below $665 level. Silver, which was range-bound between $14.10 and $14.25 most of the day, slid, no climbed down, the wall of worry, and had a cliff-like fall during the last hour. It touched a low of $13.50 during the New York Access market and is right now trading at $13.56.

In India Gold April traded to a high of Rs9,703 and a low of Rs9,541 before closing at Rs9,563. Silver May hovered between Rs21,125 and Rs20,141 before closing at Rs20,283.

Gold continues to be buffeted by speculative liquidation of paper assets as well as the fear that a prolonged selling in stocks may drag down the Midas metal further on the southern slopes. Although the noble metal has nothing to do with the stocks, yet the weaker sentiment prevailing in the overall financial markets may prove bearish for gold too. If the Chinese shares continue to be under pressure, then Chinese buyers shall be reticent about buying gold and may have little choice but to sell gold to raise cash and capital where needed.

With the crude stable at $61.75, as such gold should show a little more room to climb upwards and regain its lost glory in yesterday's trading. However the strength in the US dollar may undo the gains on oil price rise. With a correction overdue in the US dollar and with the yen quoting at 117 levels, another day of negative sentiment in precious metals markets is not ruled out.

Keeping these two strong factors in mind, the forecast is for a volatile trading. Very conservative investors better keep out of the market. Gold April may witness the highs at Rs9,639 and Rs9,697 while the supports may be drawn in at Rs9,501 and, in case that one is breached, at Rs9,448. Silver May may feel resistances at Rs20,401 and Rs20,539 while the supports may come in at Rs20,111 and Rs20,004.

Besides, since the precious metals have begun the day badly in Sydney and Far East, don't be surprised if both the metals open with a downward gap in India. All in all, a day that demands utmost caution.

Copper - Slightly higher on China's demand

Copper continues to remain under pressure due to persistent weakness across the global equity markets. The metal in itself is both fundamentally and technically well placed to further its advance. Yesterday it ended with a slight gain at $6110.

LME warehouses recorded an outflow of 2,575 tonne across all the three prominent continents. Rotterdam showed the highest outgo of 1,650 tonne. It was the seventh day of this year that no fresh warranting was registered. Fresh cancellations perked up again and 1,925 tonne got cancelled yesterday that kept the cancelled percentage high at 9.71%. The cash-to-three-month contango tightened further by $17 and stands at $22 now while even the forwards are showing tightening spreads. The news that workers at Zambia's Mopani Copper Mines (MCM) went on a strike on Wednesday afternoon after a wage dispute with the management is supporting the metal. MCM's production capacity is 200,000 tonne a year.

US jobless claims rose by 7K to 338K as against the forecast of 325K, indicating that tight job market might have started showing signs of slackening. Personal income excluding special factors rose 0.4% and personal consumption grew 0.5%. Both the figures topped the forecast. Core PCE, the favourite indicator of the US Fed for signs of inflation, rose 0.3% (most in last five months) which intimidated the US stock market. However, economists consider the jump a result of a one-time price hike at the beginning of the year, particularly in medical services.

The renewed inflation fear once again triggered a sell-off in US equity market which was looking to stabilise on Ben Bernanke's comments. The fall was looking almost as bad as the massive slump seen two days back. It appeared that carry trade unwinding again picked up yesterday as the dollar was seen tumbling badly against the yen. The sliding dollar made the sell-off worse which was seen spilling over to the metals and energy. However, a positive upside surprise in ISM Factory Index which jumped to 52.3 (forecast 49.7) in February from 49.3 in January helped both the dollar and the Dow recover, thereby offering support to base metals. Although the rising dollar proved to be a double-edged sword for the metals, for base metals it was better than seeing another bout of equity meltdown. The brunt however was borne mainly by the precious metals as they had a steep fall yesterday.

Copper is still quite well positioned to continue its upward journey, provided the global equity markets stabilize. Base metals are holding their key supports amid sharp falls in precious metals and equities across the globe and this reflects their strength.

Soy bean: Buy on dips

Soy bean spot and futures were up due to firm soy meal prices amid slack supplies in the wholesale markets. Soy meal prices are still above Rs10,300 per tonne (ex-factory, Indore), which is pushing up bean prices as well. In the spot markets, 60,000 bags (1 bag = 90kg) of soy bean arrived in Madhya Pradesh, down 10,000 bags from Wednesday.

The crop was selling in the mandis (markets) at Rs1,390-1,410 per 100kg and the plant delivery rates were Rs1,440-1,470 per 100kg. In Maharashtra, 45,000 bags of soy bean arrived in the mandis and in Rajasthan 9,000 bags.

Soy oil: Time to buy in small lots

Refined soy oil futures yesterday ended marginally down, in line with the weakness in Malaysian crude palm oil prices and fall in other edible oil markets. Some profit booking in soy oil after Wednesday's late rally also led to the weakness. In the fortnightly revision of duty, the government has made no changes. Since the confusion over the duty structure has been cleared for some time to come, the low made by the counter on February 28 should act as a major support for the medium term.

Chana: Prices to ease gradually

All chana contracts on National Commodity and Derivatives Exchange yesterday ended down more than 1% on pick-up in crop arrivals from Madhya Pradesh. The current spell of rain is also viewed as beneficial to the late sown crop in Rajasthan. Delhi spot prices fell by Rs57 to Rs2,217 per 100kg after the arrival of 30 trucks (1 truck=10-15 tonne) of chana, out of which 25 trucks were from Madhya Pradesh.

Pepper: Speculation about subsidy

Pepper spot prices rose by Rs100 per 100kg for garbled as well as ungarbled grades, tracking the buoyancy in futures. Pepper futures rose on expectations of the commerce ministry giving a green signal for continuing the freight subsidy of Rs7 per 1kg for exporting 4,000 tonne of pepper. Though Spices Board officials feigned ignorance about any decision so far on the freight subsidy scheme's extension, there is talk it will be announced on Friday or early next week.