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Bullions have been reacting to the global tensions this week. Having slipped a bit after the Indian bomb attacks, yesterday's Israeli attacks on Lebanon saw gold move past \$660 per ounce.

Bank of Japan increasing the rate by 25 basis points is likely to create some ripples in bullions, but the unexpected attacks this week in the Middle East have lifted the prices of gold. Despite a mixed forecast, US June retail sales numbers and the University of Michigan survey might support the dollar. The risk of the price curve skewing upwards still persists given that oil is trading at \$78 per barrel. However some liquidation is expected ahead of weekend. We prefer to maintain a wait and watch mode.

Copper: Stuck in a range

Copper closed at \$7,980 per tonne on the LME. Grupo Mexico stated that the company would have to struggle to meet its commitments in August if the strikes at its main Mexican mines are not resolved. The strikes started on March 24, 2006. The company is expected to lose around 11% of its production due to the strikes.

China's imports for the first six months dropped by 25%, but the drop was not due to the reduction in the demand as the domestic production increased by 25%. The usage of aluminium as a substitute for copper is likely to have a downward impact on the prices of copper in the medium term. Expect range-bound movement during the day as the announcement by Bank of Japan about interest rates could lead to profit booking. However the supply disruption might support the counter.

Sugar: Positive undertone

The festive demand is likely to increase in the spot market and the market is upbeat about the government lifting the ban on exports by the mills having export obligations. The

market is expected to take off now and the prices should move up in the near future.

Crude oil: Cruising ahead, further highs possible

Crude oil rose above \$78 a barrel in New York for the first time as escalating violence in the Middle East and disruptions in Nigeria threatened global supplies. Israeli planes attacked the main highway between the Lebanese capital Beirut and the Syrian capital Damascus. On the flip side, sabotage on two pipelines yesterday forced Eni Spa's Nigerian venture to cut output at three pumping stations. Further, Iran does not appear to be ready for talks about its nuclear programme although it wants the dispute to be resolved calmly.

There is also a possibility of Israel transferring prisoners to Iraq, further highlighting the concern in the Middle East. The Middle East produced 31% of the world's oil in 2005 and holds 62% of the total world reserves. Expect the prices to stay firm.

Soybean: In a narrow range

The prices of soybean remained range-bound in all the *mandis* yesterday. The prices could not sustain at higher levels, as there was no demand at these levels. The strength in the soy oil prices could extend some kind of support to soybean at lower levels. The meeting of the committee to decide on the imports of genetically modified soy oil has been postponed. The uncertainty could support the prices in the coming days.

Wheat: No major trigger

The prices of wheat have been stable for the last few days due to lack of any major trigger. The positive demand from the millers provided some support to the prices. The steady spot prices kept the futures prices in a narrow range. Around 25,000-30,000 tonne of wheat from Australia should arrive at the Tuticorin port by the end of this month. The central government has also reduced its supplies of wheat to various subsidised programmes. The supplies are down from 1.39 million tonne last year to 890,000 tonne this year.

The Snapshot

Commodity	Month	Closing price	%Cng	OI(000)	% Cng	View	Remarks
Crude	July	3,544.0	2.58	107	-28.67	Positive	Iran standoff, tensions in the Middle East
Gold	August	9,802.0	0.85	7,142	3.93	Range-bound	BOJ interest rate hike and safe haven
Copper	August	373.9	0.20	5,497	1.46	Range-bound	Some profit booking and supply concerns
Sugar	July	1,899.0	0.21	20,540	-2.05	Positive	Export ban to be lifted, demand to take off
Wheat	July	833.2	-0.26	75,120	-2.15	Steady	Good demand and supply situation

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