commodities buzz

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Strong performance by base metals

Copper: Surges on Chinese imports

The LME three-month forward contract posted strong gains as China's imports in February 2007 rose by 70% year on year. In February 2007 the nation imported 239,772 metric tonne of unwrought copper and copper products, which is 4.67% higher than the imports done in January. Data complied by Bloomberg shows that imports in February last year were 141,076 tonne. February marked the third consecutive month of year-on-year increase. The recent drop in LME prices is making imports attractive, as the domestic price/foreign (LME) price ratio turns favourable.

The underlying strength in the counter was clearly apparent when the metal remained firm despite a dip in the price of crude oil which took the bullion down with it. In fact, copper and the strong base metals complex offered a good support to the bullions to stabilise. Copper gained $135 to close at $6,265. The cash-to-three-month contango has entered backwardation (+$6) as the spreads have tightened by $16 for the metal. The spread tightening was witnessed across the forwards also. The LME stocks recorded yet another net draw and the net outflow was 1,550 tonne distributed across three active continents. However, the cancellation rate decelerated to as only 350 tonne moved into the cancelled category, thus reducing the cancelled tonnage to 7.79% from 9.31% earlier.

With nickel is flying high at $44,000, the complex looks to be in a good shape. Yen carry trade unwinding has come to a stop for the time being. Both USD/JPY and EUR/USD ratios look to be supportive. Equities appear to be stable. Some risk is expected from the possible slide in crude oil prices. However, the focus is likely to be on the fundamentals and the metal is well placed to further its advance. It might make an attempt to test $6,600/6,800. The immediate resistances would come at $6,330 and $6,374.

Gold: Yet to find direction

Gold markets are wailing about the absence of the Japanese investors who had been lifting the prices often in the past with their carry trades. Without them, or without any other strong buying support, the market is dithering, going two steps forward and one back, probably unsure of what it wants to do.

It is amid this uncertainty that gold futures ended a volatile session on Monday with a modest loss. Pressurised by uncertainty over global demand for precious metals and falling oil prices, gold for April delivery fell $1.70 to close at $650.30 an ounce on the New York Mercantile Exchange. It traded listlessly, between $645 and $654.30 for the day.

In India on MCX, Gold April closed at Rs9,372 while Silver May closed at Rs19,452, almost Rs100 more than the previous close.

On the currency markets, the dollar continued to take a beating. It declined against major currencies on Monday, evoking the prospect of gold demand and providing some support for the metal's price ahead of the release of the key economic data later in the week. The dollar was last down 0.65% at 117.74 yen, while the euro rose 0.6% at $1.3185.

Gold has closed above $650 in each of the trading sessions since Wednesday. So there is no reason why it should not do so again today, given that Dow Jones is in surplus and the Asian markets are behaving themselves.

Gold April may find resistances at Rs9,426 and Rs9,493 while the supports may come in at Rs9,301 and Rs9,249. Silver May may feel the caps at Rs19,577 and Rs19,694 while the bases may be at Rs19,301 and Rs19,151.

Soy bean: Buy on dips

Soy bean spot and futures were also up yesterday due to good demand from millers amid stable supplies. There has been a slight improvement in the demand from extractors due to short-covering interest after a long weekend in many spot markets, but supplies are not matching the demand. In the spot markets, around 40,000 bags (1 bag = 90kg) of soy bean arrived today in Madhya Pradesh, that is flat versus Saturday. The crop was selling in the mandis at Rs1,400-1,425 per 100kg and the plant delivery rates were Rs1,470-1,480 per 100kg, up Rs10. In Maharashtra, around 55,000 bags of soy beans arrived in the mandis and in Rajasthan around 9,000 bags of soy bean arrived.

Soy oil: Recovery in progress

Indian refined soy oil futures ended marginally down yesterday due to profit booking by traders after Saturday's sharp rally in prices. Sluggish movement in Malaysian crude palm oil markets and weak global cues also prevented any big buying interest in soy oil today despite strong support from mustard seed prices. Meanwhile, the benchmark May crude palm oil futures on Bursa Malaysia Derivatives closed at 1,972 ringgits per tonne (Rs24,906), up 9 ringgits from the previous close. In the spot markets, refined soy oil was selling today at Rs437 per 10kg (inclusive of value added tax), up Rs1 from Saturday.

Chana: Export ban extended till March 2008

Chana futures on National Commodity and Derivatives Exchange ended down on weak sentiment due to the government's decision to extend the ban on the export of pulses till Mar 31, 2008. The commodity also came under selling pressure amid rising arrivals in major spot markets. Chana spot in Delhi fell by nearly Rs53 to close at Rs2,210 per 100kg on arrival of 25 trucks (1 truck = 15-20 tonne) from Madhya Pradesh and Maharashtra.

Mustard: Buying in spot

Mustard seed spot and futures were up yesterday due to good demand amid sufficient supplies. In the spot markets around 325,000 bags (1bag=85kg) of mustard seeds arrived across India today. The crop was selling in the physical markets at Rs1,890 per 100kg (Jaipur condition). Mustard supplies are expected to be low this year because of a drop in acreage; hence most millers are keen to replenish their stocks at the earliest.

Pepper: India imports 472 tonne of pepper in February

Exporter-oriented pepper processors in India imported 427 tonne from Vietnam in February as supply from the world's leading producer of the commodity started gathering momentum. Domestic pepper spot and futures have slipped in the recent past, with buyers mostly keeping away in the hope that prices will ease further due to expectations of a rise in the supply from Vietnam. Pepper spot in Kochi slipped to Rs11,700 per 100kg today compared with Rs12,000 a week ago. Processors have imported over 500 tonne in January-February and if the trend persists in coming months, domestic pepper could come under further pressure.