Strong clues for soy oil

Soybean: Consolidation

Spot soy bean prices in most wholesale markets of Madhya Pradesh, the main centre, were also trading Rs5-7 per 100kg lower at Rs1,550-1,570 on slack demand from oil mills. The rally in soy bean prices has been one way since the early February of this year. The counter has thus started to consolidate, as some profit booking was sure to happen. However, the trend is strong due to a very low oilseed output this year.

Soy oil: Overseas cues very positive

Soy oil futures were subdued yesterday tracking overnight losses in soy futures on Chicago Board of Trade. However, towards the close of the trade the front-month contract on NCDEX recouped its losses to close Rs0.10 per 10kg higher at Rs474.55 tracking gains in the Malaysian crude oil palm futures. However, this morning palm oil futures were again trading very strong and were quoting near the 2,200 ringgit mark.

Mustard: Range bound

Mustard futures closed lower on tracking soy futures and steady arrivals in spot markets. Arrivals in Rajasthan were unchanged from Monday at 320,000-350,000 bags (1 bag = 100kg). However, spot mustard prices in Rajasthan were at Rs1,990-2,010 per 100kg, up Rs10. Again the downside is very limited as buying is sure to emerge at lower levels owing to lower mustard seed output this year.

Guar seed: Consolidating

Rising guar seed stocks in exchange warehouses have held the prices from moving up sharply. On Monday, guar seed stocks at NCDEX accredited warehouses were at 29,994 tonne, up 8.5% in the last ten days. Weakness in chana prices has also held the prices down as both these commodities have common market participants. However, the overall trend remains on the upside due to rising exports and end of the season.

Pepper: Heavy profit booking

Heavy profit booking shaved off nearly 3% from the April contract on the National Multi Commodity and Derivatives Exchange of India compared with Monday. As the prices have risen sharply, a slowdown in demand from overseas buyers could also keep sentiments down in the short term. On NMCE, the April contract shed around 5% to Rs14,536 per 100kg, while the May contract slipped to Rs15,037 compared with Rs15,868 on Monday.

Grade Malabar garbled

	Today	Change
NCDEX	15,590	(-)456
NMCE	14,536	(-)747
Spot		
Garbled	15,100	nil
Ungarbled	14,500	nil

Copper: In consolidation mode

COMEX May Copper breached the resistance of 354.80 cents a pound on China's copper imports data but couldn't sustain above that level. Profit booking saw the metal closing slightly higher with a gain of 2 cents at 352.60 cents. The LME three-month forward contract closed at $7720. The metal is still quite strong on fundamentals, however its meteoric rise in the last one month is deterring the traders from taking it higher which could lead to some consolidation. Yesterday the profit booking materialised when US IBD/TIPP economic optimism (a precursor of consumer confidence index supposed to be mostly quite accurate in predicting the economic scenario) fell to 45.5, which was below the forecast of 50.

LME stock data was encouraging as the warehouses recorded a net outflow of 1,375 tonne while the cancelled tonnage was good enough to take the cancelled ratio to 9.29% from 9.09% earlier. The cash-to-three-month spread has eased by $21 to $43(b). Some consolidation would be better for the metal as it has gone from $6,900 to $7,800 almost without a correction. It is likely to consolidate above $7,500 before further bullish data and news could take it to $8,000 this summer.

Aluminium: Surges past $2,900 before cooling off

Buoyed by strong sentiments in the base metals complex, the metal hit the high end of its nine-month range and recorded $2,932 as its intra-day high. However, profit booking in copper and nickel led the metal to erase its gains and it closed at $2,875. The cash-to-three-month spread has come down by $5.25 to $25.75(c). As the metal was unable to break out of its range and copper looks to consolidate, it could drift lower towards $2,850/$2,800 before it tries to take out the stiff resistance of $2,930 later.

Nickel: A case of vertical fatigue

While the metal undoubtedly remains on a solid footing, the level of $50,000 is proving to be unnerving for the bulls to take it beyond that. Though the metal moved past $50,000 yesterday to hit the life-time high of $50,150, the lack of follow-through buying pushed it lower and it settled at $48,400. LME stock data was quite supportive as the net outflow showed a reading of 180 tonne and cancelled tonnage stands above 35%. It might undergo some consolidation above $46,000 before it moves higher to breach $50,000.

Zinc: Drifts lower with copper

The metal closed $50 lower at $3,550 as it kept step with the red metal. LME warehouses showed a net outflow of 500 tonne while the cancelled ratio improved marginally from 14.69% to 15.11%. The cash-to-three-month spread fell by $8.75 to $7.75(c). The metal is bullish, however it is likely to consolidate above $3,450 before moving higher.

Gold: In wait-and-watch mood

Gold climbed to a five-week high Tuesday, hitting the high water mark of $682.30 during the New York session. Gold for June delivery reached a peak of $686.80, the highest price seen for that contract since February 28. The jump came in the wake of renewed trade tensions between the USA and China. Simultaneously, silver crossed the $14 mark after what seems like ages and stayed at $14.07 for a while but it lost its gains quickly and settled down to $13.85 levels at the close.

In India on MCX, Gold June saw a high of Rs9,598 and a low of Rs9,528, before settling at Rs9,560, thus registering a gain of Rs46 over the previous close. Silver May went on to come within a whisker of the magical Rs20,000 mark, before retreating to Rs19,893 per kilogram.

Talking of international price moves, the US Dollar went through another minor crisis in the wake of China's trade surplus growing from $23.3 billion to $46.4 billion. In a move that can be termed as an angry cat scratching the street pole, the US trade officials filed two cases against China before the World Trade Organisation, charging that Beijing has failed to crack down on copyright violations on a wide range of products and maintaining trade barriers in books, music, videos and movies. While it is true that China is guilty on all those counts, the timing of the move makes the American exercise look jocular, indeed childish.

It is a widely known fact that the US dollar is in a mess and it is a widely held belief that the dollar will remain under significant pressure in the near term. And it is not just the economists, even the general public feels the same way. According to the latest Bloomberg/Los Angeles Times poll, most Americans expect a recession within a year and disapprove of President George W. Bush's handling of the economy. Six in ten who were surveyed predicted a recession, similar to the 64% who anticipated the economy would contract in a December 2000 poll by the Los Angeles Times three months before the last decline.

Fifty-seven percent of those surveyed disapproved of Mr Bush's handling of the economy, his worst showing in eight months.

Almost three in five said the Federal Reserve (Fed) should hold interest rates steady, twice the number who said the Fed should cut the rates to stimulate the economy. Only 6% called on the Fed to raise the rates to stymie inflation.

It goes without saying, there is a strong case for devaluation of the US Dollar. This is obviously the most reassuring bullish sign for gold. However neither the greenback is going to tumble today, nor gold is going to climb on a rocket today. In fact gold, no matter how many bullish factors it has behind its ballast, may continue to dither, as it has been doing for the past couple of sessions. It may even take some beating since there is a strong resistance at $680-685. So expect gold to be circumspect before making the next big move.