



Copper set to gain

Copper: Ends flat on late session selling

Copper had a shaky start on the back of global equities slump on March 13, 2007. In Asian trading hours itself, copper slipped lower, falling below the low of \$6,168 hit on March 13, 2007 to \$6,139.85. However increasing backwardation and good fundamentals stabilised the metal and it got a good support from LME stock data. LME warehouses' stock flow shows no inflows while the outgo recorded 1,975 tonne which was well spread across the three active continents. A hefty cancellation of 2,500 tonne was seen at Gwangyang which was quite supportive for copper. The cancelled tonnage accelerated as fresh cancellation of 2,800 tonne matched the outflow, thus keeping the cancelled stocks at decent 9.2%.

Tightness in the spreads was seen throughout the day. The \$6 backwardation increased to \$30 and stands now at \$55, indicating tight supplies in the near term. Positive US stock indices in the initial hours emboldened the bulls and the metal tested the psychological resistance of \$6,300. Lehman Brothers Holdings Inc., the second-biggest US underwriter of mortgage-backed bonds, said rising home-loan delinquencies won't curtail its earnings and that risks were "well contained". The statement gave a good support to the market. Dow however was pretty volatile on account of Friday's quadruple option expiration and it fell by more than 130 points at one time to recover later on bargain hunting and short covering. Slipping Dow led the metal to erase all its gains made in the day and it ended flat on \$6,220. Economic data released yesterday was positive for the metal. The Q4 current account deficit helped by lower oil prices and rising exports narrowed by more than forecast and import prices rose by less than that forecast.

Global equities markets can stage some recovery today in line with the US stock market. Thus copper is likely to be up. Of late it seems that copper is slowly dissociating itself from the bullion and is staying firm, despite bullion dipping lower which is indicative of its underlying strength. The US data to be released today would be quite important for copper movements.

Soy bean: Buy on dips

Soy bean spot and futures were also down due to weakness in product prices amid stable supplies. The occurrence of profit booking too added to the weakness. Soy bean prices have risen sharply in the last fortnight. In the spot markets, around 40,000 bags (1 bag = 85kg) of soy bean arrived today in Madhya Pradesh, flat versus the previous arrival figure. Extractors at Rs1,500 per 100 kg were purchasing the crop, down Rs10 from Tuesday.

Soy oil: GM exemption till December 31

India refined soy oil futures closed down today due to weakness in Malaysian crude palm oil prices. Meanwhile, the benchmark May crude palm oil futures on Bursa Malaysia Derivatives closed at 1,945 ringgits per tonne (Rs24,507), down 32 ringgits from previous close. In the spot markets, refined soy oil was selling today at Rs438 per 10kg (value added tax inclusive), flat versus previous.

Chana: Selling at higher levels

Chana futures on National Commodity and Derivatives Exchange ended down today on profit sales at higher levels, triggered by market talk of the possibility of higher deliveries against the March contract. The sell-off was also due to the fact that Indore area is witnessing huge arrivals. Despite heavy selling in the second half of the session today, the spot market remained firm. Delhi spot prices closed at Rs2,327 per 100kg, up 3.5% from Tuesday, as there was demand from millers.

Mustard: Arrival time

Mustard seed spot and futures were also down yesterday due to weakness in soy oil. Easing concerns of extensive damage to standing mustard crop in the recent hailstorm in Rajasthan and some profit booking also kept sentiment down in futures. The markets are also seeing steady arrivals in the current month.

Pepper: Not much upside in short term

Expectations of rise in supply of fresh crop in Vietnam are likely to keep the commodity under pressure here. There

were also unconfirmed reports of a \$25 drop in Vietnam prices. No developments on the subsidy front too are adding to the negative tone. As some processors are buying on one exchange and selling on the other, the rise in stocks is also expected. In the international market Indian prices are competitive and almost at par with most of the other origins. Vietnam was offering 500GL at \$2,325 a tonne (fob) and Asta grade at \$2,700 a tonne (fob). Indonesia was quoting L Asta at \$2,950 a tonne (c&f) while Brazil was offering B Asta at \$2,525-2,600 a tonne (fob). Indian parity is at \$2,825 a tonne (c&f) for Europe and \$2,875 a tonne (c&f) for the USA.

Turmeric: Government to begin procurement

The Andhra Pradesh state government has announced that it will intervene and procure turmeric at commercial rates. The move is likely to support the movement of prices, giving confidence to farmers, who are a worried lot as there was no minimum support price. Andhra Pradesh accounted for more than half (26 lakh bags) of the country's total production of 49.75 lakh bags every year. Currently, farmers are getting Rs1,600-2,300 a quintal, depending on the quality.

Precious metals: Breathing cool

Gold has been repeatedly made to dance to the tunes that are not its. It has been subjected to come under renewed external pressures, as a string of negative news keeps global investors and their assets in search of a quick escape route. Sometimes it has been the yen carry-trades going into full reverse that made the headlines and ostensibly dragged gold down with it. During this week it has been the crumbling US sub-prime lending market and the huge shadow it is throwing on the shares of financials and homebuilders. As can be understood, precious metals have nothing to do with it.

Yet gold fell on Wednesday to close at the lowest level in more than a week, tracking losses on Asian and European

stock markets as fears over increasing mortgage defaults escalated and investors sold commodities in pursuit of liquidity. While for most of the day the yellow metal was comfortably above \$640, in New York trade for some time it went down to a low of \$636.10, creating a momentary panic.

In India on MCX Gold April moved from Rs9,203 to Rs9,307 before closing at Rs9,251, thus losing about Rs75 compared to the previous close. Silver May contract swung from Rs18,919 to Rs19,225, before ending the day at Rs19,120, a neat Rs146 lesser than the previous close.

The emerging liquidity crisis, especially in collateralised debt obligations, is hitting global share markets fairly hard. The scenario, in the words of one commentator, "raises questions about just what kind of 'recovery' has been building in equities and gold during the last month. In any case, selling everything is the emerging theme among investors."

Continued risk reduction and the necessity to generate cash for margin calls are likely to cause gold and other commodity markets to sell off in the days to come. However on Thursday things seem to be somewhat placid, what with most of the stock markets abroad having closed on positive note. Dow, NYSE, NASDAQ and Nikkei, all have scored positive gains, thus raising the hopes of a somewhat steady precious metals market.

Gold April may have resistances at Rs9,314 and Rs9,379 while the supports may come in at Rs9,201 and Rs9,119. Silver May may have resistances at Rs19,264 and Rs19,379 while the supports may come in at Rs19,007 and Rs18,864. Of course, a further beating may not be surprising, what with the crude having taken a beating, and with extreme nervousness surrounding the equity market, particularly in Asia, even more particularly in India.

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