



Nickel hits yet another lifetime high

Nickel: Fresh lifetime high

The news of the ending of strike at CVRD-Inco's Sudbury nickel operations failed to deter the bulls from taking the three-month LME prices to a new lifetime high of \$48,700. The metal closed above its previous high of \$48,500 at \$48,590 with a solid gain of \$2,990. A draw of 66 tonne at LME warehouses boosted the bullish sentiments further. The LME stock flows resulted in a marginally improved cancelled ratio which rose to 37.05% from 36.47% earlier. The cash-to-three-month spread tightened further by \$225 and stands at \$2275(b) while even the forwards have tightened. Supply concerns amid perceived deficit this year continue to support the metal, which eyes \$50,000 next.

Copper: Rallies on China demand and continuing strike at Doe Run

Copper posted sharp gains on expectations of Chinese demand and continuing strike at Doe Run, La Oroya's metallurgical plant in central Peru. A weaker dollar and better than expected US pending home sales aided the rise of the metal. Interestingly, the metal remained buoyant despite crude oil taking a hit on the possibility of a breakthrough in the Iran-UK stand-off. Overall, the base metal counter itself was quite positive yesterday with nickel, copper, tin and lead demonstrating good strength.

Copper closed at \$7,235 with a gain of \$265 after hitting the day's high of \$7,270. The cash-to-three-month spread tightened further by \$15.15 to \$79 with the April-three-month component showing the tightest spread. LME stock data turned out to be favourable as no fresh registration was recorded. Outflows recorded 1,225 tonne while the cancelled tonnage remained high with 2,925 tonne moving out to the cancelled category, thus lifting the cancelled tonnage to 9.05%, a notch higher than 8.05% on the previous day.

If the metal sustains above \$7,200 it would attract more number of buyers who would have been waiting on the sidelines for want of a clear direction. As such the metal has indeed gone up very fast and considering the coming Easter holidays, there is a possibility of profit booking which could be prompted by any negative news. However, the convincing breach of 200-DMA and good follow-up buying

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witnessed yesterday indicate the underlying strength of the red metal. Consolidation (might be above \$7,000) would be a good opportunity to establish fresh longs.

Aluminium: Higher on Hafnarfjörður voting

Aluminium closed at \$2,845 with a significant gain of \$90 as the buying in copper helped the metal to climb up. However the buying impetus came mainly from the news that the residents of Hafnarfjörður, Iceland have negated the proposal of doubling the Alcan aluminium smelter's size, thus stoking the supply concerns which led to a sharp rise in the metal's prices. The rally took out the \$2,830 resistance to hit \$2,850 as the day's high before the metal closed at \$2,830. The cancelled tonnage remains almost unchanged at lowly 2.67% while the cash-to-three-month spread has tightened by \$2.25 to \$11.75(c) now. If it sustains above the closing level, it would eye \$2,930 as its next key resistance that it has failed to breach convincingly many times in the recent past. Copper should be closely watched for clues to its direction.

Zinc: Gains \$110 in line with copper

After Monday's sell-off the market was bracing for yet another round of massive selling in this counter, more so as the LME warehouses showed a huge inflow of 1,450 tonne with all the fresh registrations coming in two European warehouses. However, the expected sell-off didn't materialise as the metal followed copper and nickel higher and closed at \$3,260 with a gain of \$110. The cancelled tonnage has come down from 15.06% to 14.41% which is still decent. The cash-to-three-month spread has tightened by \$2 and is at \$6(c) now. The metal remains the selling target of many funds and is vulnerable. However strength in copper and other base metals along with the LME stock data is likely to determine the direction and magnitude of the movements.

Soy bean: Consolidation

Sharp gains in Malaysian market spilled over to the soy bean futures. However, spot prices were subdued yesterday on good arrivals in physical markets of Madhya Pradesh, a major market. Arrivals of around 35,000 bags (1 bag = 90kg) were witnessed in the state compared with 20,000-25,000 bags per day last week. However, extractors' demand continued to be steady, limiting the downfall in prices. Spot soy bean plant

delivery rates were quoted steady in Indore at Rs1,580-1,590 per 100kg. On NCDEX, May soy bean was quoted at Rs1,582.75 per 100kg, up Rs6 from the previous close.

Soy oil: Some import duty cut rumours

Despite trading strong in the early trade on firm global prices, April soy oil contract erased its gains as the market was rife with talks that the government would cut customs duties to check the rise in prices. However, the benchmark June crude palm oil futures on the Bursa Malaysia Derivatives was quoted at 2,086 ringgits per tonne (Rs25,960), up 25 ringgits from the previous close. The contract jumped to a new eight-year high, boosted by strong gains in the US soy oil market.

Mustard: Stay long and add on dips

The overall bullishness in oilseeds complex due to a projected shortfall in the coming months has been pushing the mustard prices up for the last few weeks. Mustard spot and futures closed down yesterday on high arrivals in major spot markets of Rajasthan. The arrivals in the spot markets of Rajasthan were 280,000-300,000 bags (1 bag = 100kg) compared with 230,000-260,000 bags on the previous day.

Guar seed: Stay long in May contract

The fundamentals for guar seed remain intact for the medium term. Prices are likely to go up on good demand from local mills and export enquiries from China. The guar stock in Pakistan is lower and local prices there have also gone up, which is expected to shift the Chinese demand to India.

Pepper: Vietnam January-March exports down 50%

Export of pepper from Vietnam during the January-March 2007 period has declined by almost 50% compared to last year. Total exports in the first three months of 2007 were 13,410 tonne compared with 26,574 tonne a year ago. Vietnam Pepper Association is asking growers to hold on to their stock, as the country failed to reap the benefits of a rise in pepper prices last year. Vietnam sold nearly 60% of its

output at \$1,200 per tonne and was left with very little stock when prices had started rising above \$1,700 by October.

Gold: May climb to \$670-675

Spot gold moved within a tight range of \$661.40-668.50 since the last commentary was written. Though at one point of time it plunged below the \$656 level, it recovered soon, before the New York session came to a close.

In futures June gold declined by \$1.80 to close at \$669.70 an ounce, after reaching a high of \$673.20. The subdued performance was yet again due to the uncertainty gripping the markets. On one side, there was apprehension about the Dow Jones while on the other side traders were keenly watching the developments surrounding the stand-off between Iran and the UK over the fate of 15 sailors and marines in Iranian custody.

In India on MCX, the Gold June contract saw a high of Rs9,513 and a low of Rs9,453, before closing at Rs9,487, thus losing more than Rs30 compared to the previous close. The Silver May contract which more or less moved in lock-step, moved from a high of Rs19,600 to a low of Rs19,328 before ending the trading session at Rs19,517, thus registering a loss of Rs4.

Though the trading on Wednesday is not likely to show much promise, given the fact that the precious metals have so far not reacted to the Iran-Britain imbroglio, there is a distinct upward bias since the Dow Jones is up 1% and Nikkei 1.5%. On the flip side, crude oil is down marginally and the US Dollar is up by a fraction. How all these factors would play out remains to be seen. It is about such times that Neil Bohr said, "Prediction is very difficult; specially about the future."

Gold June may feel resistances at Rs9,539 and Rs9,599 while it may have sound supports at Rs9,416 and Rs9,368. Silver May contract may see highs of Rs19,621 and Rs19,744 while it may find supports at Rs19,406 and Rs19,301.

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