commodities buzz

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Yet another life-time high by nickel

Copper - Up on production problems and stable equities

Copper closed with a gain of $160 on the news that an electrical fire has halted output at the Codelco's Radomiro Tomic mine (accounting for 17% of Codelco's production) in northern Chile and the company expects it would be 15 days before the production resumes.

Stability in the global equity markets had set a positive tone in the counter right from the beginning. Shares in Asia's emerging markets were seen stable helped by comments of US Treasury Secretary Henry Paulson that he feels very good about the global economy and the fundamentals. However, not everything was positive for copper. Japan's leading economic indicator showed a reading of 35%, indicating that the world's second largest economy might be cooling, thus negative for copper. The news was helpful in a way that it put a downward pressure on the yen, further subsiding carry trade unwinding fears and kept the dollar/yen ratio comfortably above 116.00. News from Germany was disappointing as Germany's January orders dropped (both producers good and capital good orders declined significantly) by 1% from December on the declining demand of German goods.

Copper benefited a great deal from a positive stock picture and a positive DoE crude oil data. LME warehouses recorded outflow (almost equally distributed among three major continents) of 2,400 tonne while there was no fresh registration. Fresh cancellations perked up again as 4,725 tonne (cancellations coming from all the three major continents) moved into the cancelled tonnage category, thus taking up the cancelled tonnage to 8.16% from 6.94% earlier. The news of production loss and positive stock data enthused the bulls who ignored the news of Zambia's Luanshya copper mine workers agreeing to resume work on Wednesday. The cash-to-three-month spread tightened by $6 and stands at -$13 now while even the forwards show tightening spreads. Immediate resistance comes at $6,200. On the expectation of good Chinese demand, copper is likely to further its advance if the equity markets are stable.

Aluminium: The $3,000 call option play was ignored and the metal managed to gain despite not being able to hit the option strike range. The metal recorded $2,750 as the day's high and closed with a gain of $36 at $2,730. The cash-to-three-month backwardation is falling sharply and now stands at $4 (+$1 on the previous day's figure), indicating that the dominant long positions could slowly be unwound though the WC banding report (effective two days back) shows that these positions are intact. Further gains can be expected in the metal on the heels of copper. Resistance comes at $2,800.

Nickel: A draw of 162 tonne in LME stocks and a very positive tone in the complex saw the metal flying through the roof, hitting yet another life-time high of $42,350. Stock availability in the near term remained extremely tight. The cancelled tonnage stands at 37% and the stockpile is insufficient for one day of global consumption. The cash-to-three-month backwardation has come down by $120 to $2,505 now. The metal is expected to target $43,000 now.

Zinc: Tracking copper, the metal closed with a gain of $50 at $3,360.Though the metal still remains in contango, it is likely to move further to challenge $3,430.

Gold: Gold may draw support from crude

Gold finished 1% higher for the second straight day on Wednesday, as investors breathed a sigh of relief after sustained losses during past week. Gold moved listlessly in the $642-652 range, before concluding at $650 level in the New York spot market. The silver cross rate was $13.00 an ounce.

In India on MCX, Gold April wandered aimlessly between the high of Rs9,420 and the low of Rs9,325, showing a movement of less than Rs100, a sure sign of how dull the trading was. The contract ended the day at Rs9,400 while Silver May came home at Rs19,516.

So what lies ahead? A whole lot of uncertainty, to begin with. The trading pattern during the past two days shows that the market is undecided; unclear if it wants to go to $620 or to

$685. Private investors and larger institutional players are yet to decide if the gold price is attractive enough for purchase or ugly enough to initiate some short selling. Of course, long-term wallahs are actively accumulating, but their purchases alone can't lift the market substantially, at least in the immediate run.

No doubt the fundamentals are geared in favour of gold's surge. An apparently slowing US economy, a strong whiff of stagflation in the air, and a US dollar that is gravitating towards lower levels at every call. However, in the immediate range, the investors are apprehensive, and turbulent global stock markets are not giving them a chance to enter the fray whole-heartedly.

So the forecast at this hour (9.30am) is another day of lethargic trading. Although crude oil is up, gold may not sense the heat. Gold April is likely to test the resistances at Rs9,479 and Rs9,544 while the supports may be drawn at Rs9,321 and Rs9,271. Silver May may see the caps at Rs19,666 and Rs19,789 while supports may come in at Rs19,301 and Rs19,162.

Soy bean: Range-bound

Soy bean spot and futures were marginally up due to sluggish arrivals in the spot markets amid stable demand. Arrivals are still less than normal in mandis as farmers are busy with five-day Holi festivities. On National Commodity and Derivatives Exchange April soy beans were quoted at Rs1,469.50 per 100kg, up Rs2 from Tuesday. In the spot markets, around 40,000 bags (1 bag = 90kg) of soy beans arrived today in Madhya Pradesh. The crop was selling in the mandis at Rs1,370-1,410 per 100kg, and the plant delivery rates were Rs1,430-1,460 per 100kg.

Soy oil: Consolidation phase

Soy oil futures opened down today and maintained their bearishness throughout the day, as traders are reluctant to enter into fresh long positions because of sluggish movement in overseas markets and poor local spot market demand. In the spot markets, refined soy oil was selling at Rs431 per 10kg (inclusive of value added tax), down Rs3 from Tuesday.

Chana: Supply shortage due to Holi break

Chana futures on National Commodity and Derivatives Exchange closed higher today, tracking a nearly 3% rise in spot prices on the back of very low arrivals due to Holi holidays. Chana prices in Delhi spot markets rose by nearly Rs55, on dismal arrivals as markets in Madhya Pradesh are still closed on account of Holi.

Maize: Export only through government agencies

The government today said maize exports will be allowed to operate only through state-run channelising agencies: State Trading Corp. Ltd, MMTC, PEC and National Agricultural Cooperative Marketing Federation of India. A notification issued by the Directorate General of Foreign Trade said the new restriction will remain in force for six months. Poultry farmers and starch manufacturers have been clamouring for a ban on maize exports as prices have shot up substantially this year. India exports about 200,000-250,000 tonne of maize every year.