



## Accumulate bullions

### **Bullion: Time to accumulate, contrarian view positive for the metal**

Gold continued its climb yesterday on the back of week greenback and the Iranian issue. As we have been maintaining and as have been confirmed by the recent BIS reports, the Middle-East nation's plight continued to affected the euro. The dollar pulled back after the United Arab Emirates said it will increase the amount of euros in its foreign reserves to 10% from 2%. This further re-iterated our view on forex reserves diversification to non-US currencies, triggering further buying into the metal.

According to reports, early yesterday the Iranian parliament passed a bill allowing the government to review its cooperation with the International Atomic Energy Agency. The tension prevailing from this pact still continues and a safe haven buying is always a possibility in the yellow metal.

Finally, most market participants are betting on a price drop in the precious metal complex, a visible change in the bullish sentiment from a couple of months earlier. This is a welcome development, as contrarian view is always positive for the metals. We continue to re-iterate our bullish stand and recommend accumulation at these levels and on dips.

A slew of market moving data is to be watched today including initial jobless claims, November existing home sales, December consumer confidence and the PMI Index. Barring the Chicago PMI Index, the remaining data forecasts are more likely to support precious metals.

### **Crude oil: weak clues, \$60 to hold**

Crude oil was little changed in New York after falling for a fourth day to a one-month low yesterday as mild weather reduced US heating-fuel consumption. The slack product side demand for heating oil is pressurising the counter. As the above-average temperature is more likely to persist in the northern USA through January 10, 2007, the counter could come under further pressure.

The Energy Department's weekly inventory report will probably show US distillate supplies, including heating oil and diesel, gained 500,000 barrels last week. However, crude oil could report a draw-down in its stockpiles on the back of

strong refinery activity that could support oil prices. We expect \$60 a barrel to hold as a support.

### **Soy bean: Arrivals decline**

The arrival of beans in Madhya Pradesh declined considerably. Weak sentiments for edible oil prevented physical demand from firming up at a few places. However, solvent extraction units continued regular offtake of beans in bulk so as to suffice for buffer stocks for the next fortnight. The CBOT soy bean futures have also been positive this weak due to favourable export data for the USA.

### **Soy oil: Mixed international cues**

Recent data on oil seed sowing up to December 22 declined by 9.39% to 8.94 million hectare, leading to a mixed reaction in the spot market and volatility in volatile prices in the domestic markets. Firmness at overnight CBOT and weakness at BMD further magnified the mixed trends. The CPO futures this morning were still choppy near the MYR 2000 levels. However, the eCBOT soy oil was trading higher in the morning.

### **Mustard: Rate cut by NAFED**

NAFED revised down the rates today against the backdrop of just enough carry forward stock available with them. The open market rates for mustard seed (stocked during 2005-06) as declared by NAFED, was quoted at Rs1,750/ quintal (conditional) across the centres. However the rate quoted for Jaipur line stood at Rs1,765 per quintal. The offtake of seeds continued, as millers and stockists were reported to have continued building up stocks. Since the rates eased down, spot market sentiments also fell.

### **Wheat: Acreage higher than last year**

Poor demand from south India added to underlying bearish tone at the market. Stockists selling amidst poor demand are also exhibiting bearish sentiments. Sowing acreage has been increased significantly and reported at 31.22 lakh more hectare this rabi season as compared with last year. Total sowing is reported at 250.06 lakh hectare compared with 218.84 lakh hectare during the corresponding period last year. Favourable weather condition and higher acreage are supporting the higher production outlook.

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