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## Copper breaches \$3.50 on COMEX

### Copper- Flares up on strong US employment data

Spurred by the strong US non-farm payroll and low US unemployment rate data, copper took out the significant psychological resistance of \$3.50 a pound on the COMEX yesterday. Both the LME and the COMEX were closed on Friday when the US data was released. However, Shanghai witnessed good buying on Friday as well as yesterday. What triggered further buying on the Shanghai Exchange was the narrowing cash-to-near month future discount which fell to around CNY100/tonne from CNY300-CNY500/tonne earlier. The red metal climbed sharply ignoring a steep drop of over \$2 in the crude oil prices due to the easing of concerns on the Iran front. A strong tone in the counter has been set on Thursday as the red metal breached \$7,500 before easing slightly on profit booking to close at \$7,340 which was merely \$80 lower than the closing price on Wednesday. The loss of \$80 considering the hefty gains in the past few sessions was largely insignificant. Substantial short covering could also have been instrumental in yesterday's huge rally as the latest CFTC data (effective last Tuesday) shows that the large non-commercials were still having huge short positions with the net short positions in the Comex copper at 12,891 lots though the net shorts have come down drastically from 15,790 in the prior week.

The traders have been looking forward to China's March imports data of copper and copper products. It has been reported by China's General Administration of Customs that China's imports of copper and semi-finished products totaled 307,740 metric tonne in March, which is 28.35% higher than the imports in March last year of 239,772 tonne. Further the imports in the January-March period touched 776,576 tonne, up 58% year on year. The data is likely to boost the red metal further, which is eyeing the 354.85 cents a pound resistance on the COMEX. The next psychological resistance on the LME would come at \$8,000. The LME cash-to-3-month spread stands unchanged from Thursday.

Rallying copper and zinc are keeping the base metals complex energised, which could see aluminium and nickel moving higher in the day. The supports for zinc would come in at

\$3,430 and \$3,500 and there will be a resistance at \$3,700. If the metal is able to surpass \$3,700 it would aim for \$4,000. Aluminium is also in a bullish mode as it aims for \$2,930 and \$3,000 with a support at \$2,800. With the good LME stock data nickel could breach the dizzying resistance of \$50,000 and aim for \$51,800. Overall, the base metals are in good shape.

### Gold shows upward bias

Just like someone in a bout of confusion, the precious metals market yesterday first climbed to glorious heights and then tumbled down to square off all the gains during the day. The spot gold price that was lingering for most of the day within a tight aperture of \$670-672, suddenly took a sharp upward flight during the start of the New York session, and within three hours touched the day's high at \$678.80 per ounce. The immediate delivery future contract breasted the ticker tape at \$679.40. However both the prices took a sharp U-turn and with the fall in the crude prices, gave up all that they had added during the first four hours. Silver followed suit and moved from \$13.59 per ounce to \$13.92. Currently (8.30 AM) the white metal is trading at a healthy \$13.77 an ounce.

In India on the MCX gold for June delivery traded in a band of Rs99, going from a low of Rs9,461 to a high of Rs9,560, before settling at Rs9,514. Silver for May delivery saw a wider fluctuation of Rs244, going from a high of Rs19,874 to a low of Rs19,630, before settling at Rs19,780, thus registering minor gains of Rs37 over the previous close.

It has been a known news that gold's recent downturn was due to the sales by the central bank. Now if in spite of the sales the yellow metal has been able to hold on and has not plunged below the \$650 level, it shows that the Midas metal is up to something.

Crude fell even as the seeds of a new global conflict were being sown; there are indications that Iran may produce nuclear fuel on an industrial scale. However, as can be understood, any such news is likely to spur a new sense of disquiet among the global investors, and thus likely to benefit the crude prices and ultimately gold. So expect gold to have some upward bias today.

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Gold for June delivery is likely to feel the caps at Rs9,569 and Rs9,599 while the supports are visible at Rs9,457 and Rs9,401. Silver for May delivery may have the resistances at Rs19,886 and Rs19,992 while the supports may come in at Rs19,605 and Rs19,501.

### **Soybean: Consolidation**

The spot soybean prices in most wholesale markets of Madhya Pradesh, the main centre, were marginally down on lack of buying by the oil mills. At the current rates, the mills are not ready to purchase soybean. Arrivals of 35,000-40,000 bags (1 bag=90 kg) were witnessed in the state yesterday. However, the low production estimates have been limiting the fall in the commodity. In the spot market, soybean closed at Rs1,570 per 100kg, down Rs5-10.

### **Soy oil: Consolidation**

The domestic prices of soy oil have not been able to catch up with the international prices of palm oil. The primary reason is there is speculation that there could be more duty cuts in May. However, the benchmark June contract on the Bursa Malaysia Exchange marginally rose on expectations of buoyant palm oil export figures and gains in the other commodities. The contract closed at 2,132 ringgits a tonne.

### **Mustard: Range-bound**

The arrivals in Rajasthan were estimated at 320,000-350,000

bags (1 bag=100 kg). The daily arrivals throughout the country have been pegged at 700,000-750,000 bags. However, these are likely to decline by mid-next week. The lower oilseed estimates by the government will also provide support to the prices of mustard.

### **Guar seed: Stay long in May contract**

The stocks of guar seeds are low compared to the requirement by the mills, due to which the prices were higher yesterday. The export demand should rise in the coming days and traders are holding on to the stocks in expectation of better remuneration. The spot guar seed prices in Jodhpur touched Rs2,000-2,025 per 100kg, up Rs20-25 from Saturday, and guar gum was up Rs50 at Rs4,950-5,000 per 100kg.

### **Pepper: International supply tight**

The April contract on the National Commodity and Derivatives Exchange of India gained 6% to touch Rs16,135 per 100kg, hitting the upper circuit level. The other contracts also gained as reports suggested that Vietnam has increased the prices to \$3,200-3,300 (Rs136,635-141,437) per tonne compared with \$2,950 per tonne quoted previously. A section of the dealers said that the scaling down of the total output in Vietnam in 2007 (January-December) to 75,000-95,000 tonne from the earlier projections of 95,000-100,000 tonne also boosted the bullish sentiments.

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