



Remain neutral in precious metals

Bullions: Remain neutral

The rising US interest rates scenario is likely to continue beyond this month. Any further rate hikes would mean the narrowing of the yield curve that is potentially bullish for the yellow metal. Further, the uncertainty over the tone of the Federal Reserve has kept the market nervous, taking the prices of gold higher albeit marginally amid the Asian currencies trading weaker. We prefer to stay neutral ahead of the Federal Reserve meeting and maintain a cautious view.

Crude oil: Range-bound

Crude oil traded near a two-week high on concerns that rising gasoline demand may strain US fuel supplies after Iran, the world's fourth-largest oil producer, threatened to cut output in a dispute over its nuclear programme. The Iran-USA standoff is unlikely to be solved in the near term and expect the prices to skew upwards. However, with the peak demand for gasoline round the corner, crude oil might traverse in a range.

Copper: Sell on rise

The red metal declined by 2.87% during the week and the inventory at the LME is just 5,425 tonne above the December 30 levels. However, the first five months of the current year showed a surplus of around 150,000 tonne as there was a decline in the Chinese demand owing to the high prices. The demand from China declined by 2.10% during the first four months of the year and the total refined

production increased by 6.50%. The demand and the production data indicate that the capacity utilisation has increased. The US durable goods orders ex transportation have increased for the month of April. However, we still maintain that copper should be sold on rises.

Sugar: Range-bound

Some short selling was seen in the futures, as it was learnt that the imports are uneconomical in the current scenario. However, the July quota and the onset of the monsoon should keep the prices subdued. Buying was seen in the middle and the far month contracts. Range-bound moves are expected in the counter.

Soybean: Range-bound decline to persist

The soybean spot market prices declined on Saturday with the demand situation in the soy oil remaining weak. This weakness added to the bearish tone in the futures market where prices touched lower levels after opening strong. The improvement in the rains has been witnessed during the weekend and augurs well for the sowing process.

Wheat: Exhibiting weakness

The prices of wheat declined further as the government's decision on imports led to speculative selling in the futures market. This was despite the fact that arrivals have not increased, as farmers were still not willing to sell. The imported wheat has a much higher landing price than the current market prices.

The Snapshot

Commodity	Month	Closing price	%Cng	OI(000)	% Cng	View	Remarks
Gold	August	8792	-0.27	6503	-1.26	Neutral	US data and interest rate decision,
Crude oil	July	3303	-0.21	187.30	-1.32	Range-bound	Iran-USA standoff
Copper	June	319.70	-0.33	2092	-32.25	Weak	Supply concerns and slow demand growth
Sugar	July	1897	1.17	27530	-4.77	Weak	Adequate supplies
Wheat	July	829.40	0.22	133170	-2.81	Weak	Imports

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