



Weakness to persist in crude oil

Crude oil: Weakness to persist

Crude oil was little changed and traded near a 12-week low in New York amid speculation that the action by the United Nations to end Iran's nuclear programme is unlikely to curb the shipments from the world's fourth biggest oil producer.

An Energy Department report will probably show that fuel stockpiles in the USA will remain above average even as the refiners increase production. The US refiners and oil companies held 332.8 million barrels of oil on August 25, 12% more than the five-year average for the period.

Though a drop is projected today in the oil and gasoline inventories, the market is likely to be at a comfortable stage. Expect crude oil to trade lower as the weakness is likely to continue.

Bullions: Time to be cautious

Gold shrugged off the mixed trading in the dollar and falling oil prices yesterday and closed at a four-week high following strong physical Asian buying ahead of the festive season when the fund managers came back after a long weekend.

September is the last month of the current quarter and any portfolio rebalancing ahead of the next quarter is likely to dictate the bullion market. Sources also indicate that money is flowing out of crude oil and into the bullion market. The strong silver is also greatly responsible for the upmove in the precious metals complex.

Nevertheless, this upmove is unconvincing given the falling energy prices and the mixed trend in the dollar. Unit labour

costs, non-farm productivity and non-manufacturing ISM are expected to see the dollar gain strength and could question the upmove in gold. It is time to be cautious on long positions albeit the medium to long term looks quite attractive.

Soybean: Medium-term weakness

The soybean futures posted small gains due to short covering yesterday. The medium-term outlook remains bearish due to the favourable crop outlook, both domestic and international. The total sown area this year has been at a record 8 million hectares. Even if there were some damage, as is being anticipated, the higher sown area would be able to compensate for the reduced yields.

Soy oil: Lack of demand

The lack of demand for soy oil has depressed the prices. The decline in the international prices makes the landed cost of vegetable oils cheaper. The weak CBOT soy oil could add more downward pressure on the counter. Today CPO futures have opened slightly up but the traders expect the gains to be short-lived.

Wheat: Notification on import duty soon

The government should notify about the 0% duty structure in a couple of days. This duty structure will probably be till the completion of the STC tender. The news lifted the futures at the fag end of the trading session. The prices are likely to be well supported at lower levels, as all the bids tendered to STC are much higher than the previous four tenders. The bids are at \$223 to \$267 per tonne, much higher than the first bids at around \$179 per tonne issued in February.