commodities buzz

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Local soy oil prices subdued

Soy oil: Overseas cue strong, local prices subdued

Resellers actively dispatched soy oil in the market on apprehensions of cheap availability of import oil after mid May due to a much stronger rupee. In Indore, refined soy oil prices were steady at Rs469-475 per 10kg, down Rs2-3 from Saturday. The June soy oil contract on NCDEX is expected to range between Rs480 and Rs490 per 10kg. The short-term outlook for palm oil is strong. Soy oil futures on CBOT too are likely to gather positive momentum due to subdued soy bean exports from Brazil on a weak dollar. However, strength in the rupee could cap any upside.

Soy bean: Stable

The positive monsoon outlook and subdued meal prices have restricted the gains to some extent. In Indore, the main spot market, soy bean prices are facing downward pressure on low demand for soy meal. Low demand for soy oil at higher levels and impending imports are keeping the crushers away at the moment. The forthcoming monsoon 2007 update would also be crucial for the counter. Soy bean is a kharif crop, dependent heavily on the monsoon rains. In Indore spot market, soy bean prices were at Rs1,535-1,540 per 100kg. The June soy bean contract was Rs1,523 per 100kg, down Rs4.35.

Mustard: Tracking soy oil

An overall bearish advice from the soy complex also depressed the mustard seed prices. The stocks of mustard seed in NCDEX warehouses have seen a sharp rise during the last few weeks. During last week alone the stocks rose by almost 44% to 21,871 tonne. The rise in stocks during the last three months has been even sharper at 530%. This has also restricted the prices from rising northwards. For the current week, mustard prices are expected to remain stable but high stocks could put some pressure on the May contract.

Chana: Huge stocks build up

The total stocks with NCDEX warehouse as of May 12, 2007 stood at 26,221 tonne compared to 22,088 tonne a week ago. The arrivals from Rajasthan have also been strong in the recent weeks, adding to the depressed spot prices. The May contract also expires this week, which can cause some volatility in prices, but the trend is weak. With stocks higher than open interest, even the June contract is expected to see good amount of delivery when it expires next month. This would also keep the June contract from making any major upmove from these levels. Any sharp rise would be met by good amount of selling.

Gold: Fallen on bad times?

Is gold a monetary metal? Or is it a commodity? While the general public seems to believe in the former definition, the trading community is often undecided about its view. So sometimes it deals with gold as if it were a commodity, sometimes it behaves as if it were a monetary metal. This confusion seems to have prevailed yesterday in the markets.

One reason gold fell yesterday was in sympathy with the across-the-board fall in base metal prices. Copper dropped 3.1%, nickel slid 2.9% and zinc lost 2.5%. Simultaneously, the London Metal Exchange's combined index of copper, aluminum, lead, tin, zinc and nickel fell 2.5% to a two-week low.

Copper fell in London on speculation that imports of the metal into China, the world's largest user, probably dropped last month as domestic stockpiles jumped. Nickel and zinc declined. There is a concern that the support from China's imports is already diminishing. (Though copper fell on Monday, it has gained 23% this year as China's imports more than doubled in March.)

The other sentiment in the market, that gold is money, also played its role in driving down the prices. Gold and silver prices fell on speculation that the euro's rally against the dollar will stall, reducing the appeal of the precious metals as alternative investments. With the euro falling in bits and pieces during the past few days, gold is also losing its appeal. The yellow metal often dances in lockstep with the euro; according to a report in Bloomberg: "Gold has moved in tandem with the euro about 74 percent of the time in the past year."

The euro traded as low as $1.352 yesterday, after dropping 0.5% last week. The 13-nation currency has been on a downward slope since a record $1.3681 on April 27, while the Midas metal is heading southwards since hitting the high of $698 an ounce on April 20, the highest since last May.

As a result gold yesterday moved energetically during the New York session and saw a high of $675.80 and then a low of $665.70. Silver saw a bottom of $13 and a top of $13.31 an ounce.

The forecast for Tuesday is weak. The market is bound to be depressed in the wake of yesterday's base metal debacle. Investors may be busy arranging the MTM and may not be in a mood to take fresh positions. Stock markets are also in bad shape; Asian stocks have been falling in the morning trade, led by mining companies such as BHP Billiton and Sumitomo Metal Mining Co. after the prices of metals including copper and nickel dropped. So the general mood of the market is bound to be sour.

It would not be surprising to see the precious metals heading further down. The only support to gold right now is healthy crude price. Another minor support may appear in the shape of renewed buying by long-term investors. If these factors don't support gold, it may slide down. And in case it pierces $664 level, the current rally which started in January may well be on the way to termination.

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