



## Chana stocks higher

### Chana: Huge deliveries expected in May

As mentioned in our Chana special dated May 7, 2007 the government is going in for heavy imports of pulses taking advantage of cheaper imports. The finance minister is also scheduled to meet with the pulses monitoring committee this week. Two weeks before expiry of the contract, May open interest of 25,430 tonne against nearly 20,000 tonne chana stock in exchange warehouses is likely to end up in higher delivery in the contract. June chana contract open interest rose by over 2,820 tonne from Monday on falling prices, indicating fresh short positions for the June month.

### Soy bean: Product prices soft

Due to depressed product prices, soy bean prices ended in the negative yesterday. Weakness in soy meal and soy oil prices due to stronger rupee and softer international cues have depressed soy bean prices domestically. Expectations of good monsoon are also having a negative impact on the prices, as good rains would be beneficial for the crop.

### Soy oil: CPO prices weak

Soy oil prices fell following the weakness in palm oil prices in Malaysia. The benchmark July crude palm oil futures on the Bursa Malaysia Derivatives closed at 2,238 ringgits per tonne, down seven ringgits from the previous close on profit sales after a sharp rally in the prices in the previous week. The continuously rising rupee has also dented the market sentiments. Higher imports by the end of May can increase the domestic supply.

### Mustard: Short-term supply tight

The May contract on NCDEX closed higher as some short-term supply shortage is expected due to labour being shifted from mustard harvest to crops like wheat. Wheat harvest season has begun in Punjab, Haryana and Rajasthan; many of the labourers have been diverted from mustard crop, leading to low arrivals. The June contract, on the other hand, settled lower as arrivals are being expected in June also.

### Guar seed: Weakness to continue

Good monsoon expectations and rising rupee have totally capped a huge upside in guar seed prices in the short term. The IMD is expected to announce its detailed forecast by

the end of next week. Since prices peaked on April 14, rates have fallen very sharply on fears of low exports because of the rupee rising against the dollar and prospects of a good monsoon. Jodhpur guar seed was quoted at Rs1,800-1,850 per 100kg, down Rs40-50. Guar gum was at Rs4,470-4,525, down Rs30-75. On Monday, guar seed stock at NCDEX-accredited warehouses stood at 36,577 tonne, down from 37,968 tonne on Saturday.

### Pepper: Vietnam cuts prices

Pepper futures shed 2.58% on National Commodity and Derivatives Exchange on reports of sellers in Vietnam cutting prices further. Vietnam has reduced 500GL grade prices to \$3,700 (Rs150,967) per tonne and that of 550GL to \$3,950 (Rs161,161) per tonne. Following are the prices of Malabar garbled pepper May contract, in rupees per 100kg at 5pm, compared with their previous close:

#### Grade Malabar Garbled

	Today	Change
NCDEX	14,835	-394
NMCE	14,365	-211
<b>Spot</b>		
Garbled	14,700	-100
Ungarbled	14,100	-100

### Precious metals: Volatility ahead

Though the coming FOMC meeting is most likely to be a damp squib, the market is nonetheless waiting for it with bated breath. Owe it to this fact that yesterday the gold price did not move almost throughout the day and then fell, primarily on jittery reaction of traders. The fall marked the first loss for the futures in four sessions, as traders opted for caution before the Federal Reserve's decision on interest rates tomorrow. Gold, after briefly touching the low of \$681.70, rebounded to close at \$687.50. Silver saw a low of \$13.24 before closing at \$13.49 an ounce.

The story in precious metals was primarily driven by the dance of currencies and the currencies markets were apprehensive about Wednesday's FOMC outcome. The US Dollar was mixed against its major rivals late in Tuesday's

session, with traders cautious ahead of key interest rate-policy decisions in the USA and Europe. The euro was slightly weak in the wake of slack economic indicators from German industrial production.

The Federal Reserve is meeting on Wednesday and while the central bank is widely expected to keep its target on overnight rates at 5.25%, there is some question as to whether the accompanying statement will be changed. Read more. Meanwhile other banks are not sitting idle; the Bank of England is expected to raise its key rate 0.25 percentage point on Thursday. The European Central Bank (ECB) is expected to

leave its key rate unchanged after it meets on Thursday, but economists believe the ECB will signal a rate increase soon.

The prognosis for the day is underlined by volatility. Chances are the traders will continue to stay jittery, until the final word is out from FOMC and until every sentence has been decoded for its impact on the market. The stock markets have been flat, so there is no support from that sector. The crude is up, but only slightly, and is not likely to show much strength in the absence of any significant news. However gold in early morning trade in Asia is slightly subdued. So the weakness may persist with marked volatility.

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