



## Base metals to remain under pressure

### Copper: Sell on rise

Copper closed at \$7,040 per tonne on the LME yesterday. The growth prospects of the various economies are clouded, affecting the prospects of an increase in the demand for copper. Along with the seasonal correction, concerns about the world's economic growth are looming large on the counter. Expect the various economic data from the USA to have an impact on the counter, which will result in high volatility. The US inflation data should also have an impact on the counter. The weakness is likely to persist and hence sell on rise.

### Aluminium: Under pressure

The biggest aluminium producer Alcan has stated that the improvement in the mining of bauxite and the expected improvement in the power supply in China should see higher aluminium production. Amidst the prospects of adequate supplies the pressure is likely to continue in the counter in the medium term and hence sell on rise.

### Sugar: Stuck in a range

There is a lack of demand for sugar in the spot market and a lack of buying interest in the futures market. The volumes are very thin and there is no market moving news. Internationally, the bids offered to Pakistan and Egypt were rejected, as the prices offered were very high. Owing to an absence of market moving news and poor demand expect sugar to trade in a range.

### Wheat: No clear direction

The prices of wheat displayed range-bound moves yesterday in the futures. The spot prices have also been moving at the upper end of the range. The demand from south India is continuing, supporting the prices. The stockists are still not releasing their stocks due to the depressed monsoon activity. The situation is expected to continue for a few more days.

### Soya bean: Some upmove likely

The spot prices were strong in both the spot and futures

markets on weather concerns. The delay in the rains has led to some postponement in the sowing of seeds. As a result there is speculation of a price rise. The rise in soy oil prices also helped the counter. However, the medium term outlook does not change much. The break in the rains has to be very prolonged in order to have an impact on the production.

### Bullions: Slide to continue

Bullions are likely to extend the correction, as concern about the interest rates still looms large. Further downside is visible in bullions from the current levels as our average annual gold price is \$593 per ounce.

The dollar touched a six-week high against the euro on growing expectations that the Federal Reserve will continue to raise interest rates. The key US data this week starting with the PPI numbers would decide the fate of the yellow metal. Silver is no exception and is also vulnerable to a downmove as indicated in our position pointer.

Meanwhile, the Federal Reserve Chairman Ben Bernanke is scheduled to make three appearances this week. After hawkish comments on inflation last week, the markets are expecting the Federal Reserve to raise the interest rates for a 17th straight time at its June 29 meeting. For details on the same, refer *Commodity Insights* released on Monday.

### Crude oil: Taking support

Crude oil prices drifted lower to hover around \$70 a barrel on Tuesday after the tropical storm Alberto missed the Gulf of Mexico. The storm Alberto unexpectedly gained strength over the Gulf of Mexico on Monday, threatening to become the season's first hurricane, but remained on track to come ashore in northwest Florida, well clear of the Gulf oil rigs and refineries.

With the gasoline stocks down by about 2.4% from the year ago levels and the nuclear issue still looming large, we expect a base of around \$70 for crude oil before the next upmove.

### The Snapshot

Commodity	Month	Closing price	%Cng	OI(000)	% Cng	View	Remarks
Copper	June	329.40	-0.59	5,019	-27.69	Weak	Clouded growth prospects of economies
Sugar	June	1946	-0.05	30,570	-9.03	Range-bound	Lack of demand
Wheat	June	871.60	0.05	89,110	-1.34	Unclear	Demand is supportive
Aluminum	June	114.05	0.61	3,294	-16.76	Weak	Clouded growth prospects of economies, aluminium production improvement

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