Pepper weak

Pepper: Weak

News of Vietnam cutting price and Forward Market Commission limiting open interest positions that could be held by individuals to 100 tonne for the near-month contract from July weakened sentiments. Also the overall weak sentiments in other spices like chili and jeera also added to the pressure. The counter is also going to remain weak due to a stronger rupee. Following are Malabar garbled pepper prices of June contract, in rupees per 100kg, at 5pm compared with their previous closing price:

Grade	Malabar Garbled	
	Today's Close	Change
NCDEX	13,713	-830
NMCE	13,656	-526
Spot		
Garbled	14,300	-300
Ungarbled	13,700	-300

Base metals: Rising nickel inventory leads the complex down

A strong-looking base metals complex took a plunge yesterday when the USA joined the battle with the opening of COMEX. Till then the complex was running steady, if not firm, like it was in the Asian hours in the morning that saw nickel touching $51,000 and copper moving closer to $7,500. The whole complex looked good to further its advance. A hefty build-up of 402 tonne in nickel inventories, which took the headline figure above 5,000 tonne after a long time, halted the bounce-back of the base metals. All the base metals save lead closed in red with nickel and copper leading the decline. Nickel lost $2,900 in the day and closed at $48,200 with a loss of $2,250, copper shed $305 in the day from its intra-day high and closed with a loss of $136 at $7,261. Zinc, which like copper and nickel had taken out Monday's high, lost $120 in the day and ended $80 lower at $3,710. Aluminium retreated from its high of $2,894 but did better than its peers as it closed with a loss of only $14 at $2,855. All the said metals closed near their lows of the day with no bargain hunting witnessed even after a drastic fall which doesn't really send a bullish signal for today's session.

Nickel stocks have been rising almost continuously in the past few weeks with short sellers able to deliver against their positions and cancelled tonnage (12.03% now as against 14.08% on the day before) has been slipping lower. The sharp rise in stocks put a tremendous downward pressure on the metal yesterday which finally dragged the whole complex down. As such there was hardly any market moving bearish news for copper and zinc, so the selling appears to be technical in nature with huge rise in China's copper imports in focus. In fact LME copper stock data was quite supportive with the system recording no inflow whereas the outflow showed 1,650 tonne while 1,425 tonne moved to cancelled tonnage category, thus compensating for the huge outgo and maintaining the cancelled ratio steady. Similarly stock data was pretty much favourable for zinc as well. However technical selling building on the weakness in nickel hit both the metals badly. The metal traders would focus on nickel movements for the clues to the directions of the other metals. Nickel below $48,000 could result in more losses in copper and zinc which otherwise remain strong on fundamental ground. Support for copper would lie at $7,100 and $7,000 while resistance could come in at $7,400. Zinc is likely to find support near yesterday's low and then around $3,500.

Gold: Reeling under central bank sales

Gold spent a listless day, generally drifting around $661-664 all the day and hit a spike at $666 an ounce during the New York session. However it lost almost $4 in the NY Access market and went down to as low as $657.30. Silver too mimicked the steps and dwindled down from $13.18 an ounce to $12.85. Both the precious metals are down currently, gold at $660 and silver at $12.90 an ounce.

Gold's latest fall has been attributed to the strength of the dollar. Euro, which is down 1.5% against the dollar since reaching a record on April 27, is often the instrument that sets the mood for gold buyers. However the major reason, according to Commodity Buzz, is the sale of gold by central banks.

It is now widely known news that the current downfall in the gold market was basically due to the sale of the yellow metal by some European banks. According to the latest Bloomberg report, "The ECB said three unidentified member banks sold gold worth 280 million euros ($377 million) last week, the most since the week ended April 20."

As can be understood, this spate of sales has basically unleashed the bears in the precious metal markets during past two weeks. However the noteworthy point here is that usually such sales don't last for sustained periods. Though the ECB banks are allowed to sell up to 500 metric tonne a year under the so-called Central Bank Gold Agreement, they never stretch their sales beyond a few weeks. In other words, if these sales diminish from this point onwards, the price of gold may begin to rise, thus signalling the revival of the rally that began in January this year.

To bolster gold's case, crude continues to soar. (Oil was little changed in New York after falling the most in six weeks yesterday on the expectation that US fuel and crude stockpiles will gain.) At $65.65 a barrel it is well placed to pull gold out of dumps within no time. The scene for crude continues to be bullish. Curtailment of supplies from Nigeria and concern that a dispute over Iran's nuclear programme might disrupt shipments from the second-biggest producer in the Middle East have bolstered prices since January 2006. Nigeria produces low-sulfur, or sweet, crude oil, prized by US refiners because of the proportion of high-value gasoline it yields.

However the trump card lies with the central banks. If more sales materialise, there may be some more downside to gold. Remember, the more the gold falls, the more the stop loss trades are hit and the more pronounced the effect becomes. Goes without saying, a drop below $658 might encourage more selling by technically driven traders.

On the other hand, a climb above $666 may trigger another rally. Such a climb is not at all ruled out, for the sales may well diminish any time, and thus provide a fillip to the gold price. If that happens, the current scenario.

Soy bean: Sideways

Marginal gains were also witnessed in soy bean futures due to the bounce-back in soy oil prices. However, in Indore, Madhya Pradesh, prices were trading down on lack of buyers and low prices of soy meal and soy oil. In Indore, soy bean prices were at Rs1,530-1,535 per 100kg. Arrivals of soy bean in Madhya Pradesh were around 29,000-30,000 bags of 90kg each. Warehouse stocks data also show that the stocks are on the rise. Preparations of sowing have also begun in some parts of soy bean producing states like Madhya Pardesh.

Soy oil: Marginal bounce-back

Strength in palm oil futures and CBOT soy oil futures resulted in the recovery of domestic soy oil futures. Malaysian crude palm oil futures ended slightly higher today on short covering, with the benchmark August crude palm oil contract closing at 2,375 ringgits per tonne, up 13 ringgits from Monday. However, demand remains subdued in the domestic spot markets due to projections of large imports in the next few weeks.

Chana: Sharp fall

A sharp fall was witnessed in chana future prices as demand remained almost negligible. NCDEX spot chana in Delhi was at Rs2,170 per 100kg, down Rs30 from Monday while prices in Bikaner, Rajasthan closed at Rs2,137, down Rs43. The panic of higher deliveries on the back of continuous rise in warehouse stocks is pressurising prices at the moment. Chana stocks on NCDEX accredited warehouses, rose to 28,381 tonne compared with 27,684 tonne on Monday. June and July futures and spot prices on NCDEX, in rupees per 100 kg, and open interest, in tonne, versus Saturday:

	Futures Price	Chng	Spot (Delhi)	Open Int (tn)	Chng
Chana (June)	2,187	-59	2,170(-30)	45,770	300
Chana (July)	2,234	-64		34,680	3,090