Mustard arrivals declining

Mustard: Demand low

Arrivals of mustard seed in Rajasthan are on a decline. However, stockists have good stocks and are likely to be quite active once arrivals dry up completely. Local demand for mustard oil is low at present, but with low soy bean stocks, demand for mustard seed could witness some improvement.

Soy bean: Stable

Predictions of a good monsoon and expectations of a rise in acreage in the coming season due to remunerative prices for the farmers are some of the factors that would weigh on the prices. However, global output forecast is seen as bullish as sowing in the USA is likely to be lower. The US Department of Agriculture in March pegged 2007-08 soybean planting at 67.14mn acre compared with 75.52mn in 2006. However, the domestic supply of soy bean is more or less over and the impending imports of soy oil is leading to a decline in demand for local beans.

Soy oil: Significant imports in May

Prices are expected to remain on the weaker side due to large imports due in the next couple of weeks. This is despite the international prices remaining firm because of good demand globally for edible oils. Planting of soy bean in the USA is expected to do down this season. This has also kept the international soy oil prices firm. However, imports along with the ever-rising rupee are expected to put some pressure on the counter.

Chana: Still subdued

Chana prices would remain weak in the coming days due to the ongoing arrivals in Rajasthan. The warehouse stocks have been very high, giving rise to fears of high delivery in June. Stockists in Delhi too are not showing interest in chana purchases as they have already stocked up the commodity. Prices of chana futures have already fallen over 7% in the current month.

Pepper: Rupee strength to put pressure

The rupee's rise to its previous high would surely put pressure on the domestic prices. Sellers in Vietnam have also supposedly cut prices. Huge warehouse stocks are also seen negative for the domestic prices. The news that the commerce ministry has no plans to give export subsidy for pepper as of now is also not helpful. Pepper prices have now almost doubled from a year ago, and exports would be sustained without any subsidy support, he said. Export subsidy of Rs7 per kg was introduced in October 2005 when pepper prices were ruling at low of around Rs60 per kg.

Gold: Has bullish support from oil

Gold stabilised on Friday after the bloodbath during the first four days of the week left the yellow metal scrapping the depths of the price charts. Gold closed the week in the spot market at $660.60 after hitting the nadir at $653 on Thursday. Silver too rose in sympathy and finished the week at $12.89 after seeing the bottom at $12.59 on Thursday.

The prognosis for the day is bullish. The fundamentals of gold are supported today by a series of bullish facts, discussed one by one in the following paragraphs.

First of all the Asian stocks have been rising during the early morning trade for the first time in five days. The rise seems to be hinging on improved US consumer confidence, which suggests that demand will strengthen in the region's biggest export market. Traders believe that the US consumption is only likely to strengthen in the days to come, hence the bullish stance on stocks. The bullish mood also emanates from the fact that the US stocks advanced on May 18, bringing the Standard & Poor's 500 Index within 0.4% of a record high, after the Reuters/University of Michigan preliminary index of sentiment rose to 88.7 from 87.1 in April. It has generally been observed that the Asian stocks do well when the US stocks have been in the positive territory during the previous day.

The other bullish factor for gold emanates from the fact that the copper prices are showing an uptrend in the earlier Asian trading.

Shanghai copper futures rose by as much as 4% from an eight-week low in early trading, recovering following gains in overseas markets amid speculation that global economic growth will support demand for the metal. According to Bloomberg, the contract for August delivery on the Shanghai Futures Exchange reached 63,800 yuan ($8,325) a tonne, up 2,440 yuan from the previous close. It traded 1,970 yuan, or 3.2% higher, at 63,330 yuan a tonne at 9:49am.

Zinc futures rose by the 4% daily limit from the previous settlement in Shanghai on concern about falling global stockpiles. The contract for July delivery was 1,140 yuan, or 3.9% higher, at 30,495 yuan a tonne at 9:52am local time.

And finally the most important factor in favour of gold: the rising crude prices. Crude oil continues to hover near a three-week high on rising concerns about the state of the US gasoline stockpiles. The US gasoline stockpiles stood at 7.5% below the five-year average on May 11, the Energy Department said last week.

It is noteworthy that New York oil futures rose 27% in the past four months as refinery breakdowns and sliding US fuel stockpiles pushed gasoline futures to an eight-month high last month.

Crude prices were refusing to come down in the wake of renewed trouble looming large on the supply side. Oil and gas workers in Nigeria, Africa's biggest oil producer, plan to stop work on May 24 in protest of the sale of a state-owned refinery.

According to Bloomberg, crude oil for June delivery was at $65.07 a barrel, up 13 cents, in after-hours electronic trading on the New York Mercantile Exchange at 8:34am in Singapore.

The high price of crude is sure to act as a bullish catalyst to gold today. Although the price is not likely to go up astonishingly, yet it is expected that it would add $2-4 to its Friday’s close.