



Bullions hammered down, gold undervalued now

Copper: To exhibit weakness

Copper shed 6.70% and closed at \$6,570 per tonne on the LME. The counter has shed 25.33% from its top of \$8,800. The US data showed that the month-on-month increase in the inflation was more than expected. The consumer price index numbers that would be released today would be watched very carefully. The weakness in copper still persists and we maintain that it should be sold on every rise.

Sugar: Range-bound

Lack of buying interest and selling pressure continue in the counter. There has been no major market moving news and expect the counter to trade in a narrow range.

Soyabean: Subdued, rains and soy oil prices to give direction

The prices of soybean futures have been heavily dependent on the soy oil prices for direction in the last few days. The weakness in the soy oil prices yesterday led to a fall in the prices of soyabean. The uncertain behaviour of the monsoon has also affected the prices. The medium term outlook remains on the lower side. However, in the very short term the aforementioned factors would continue to play an important role in the price movement of the counter.

Wheat: Extremely range-bound

The dullness in the movement of the prices of wheat has been very pronounced in the last few sessions due to lack of news. The prices of the futures were range-bound on the lower side on the news of the relaxed tender norms for the upcoming import of wheat. However, the demand from south India is strong and the prices are not expected to fall. The statement by the agriculture minister that imports would be solely for the buffer stocks has added some positive sentiment to the markets, helping the prices to hold steady. The prices would be range-bound in the coming days.

Bullions: Hammered down, gold undervalued now

A weak euro, a stronger dollar, falling oil prices and stop losses being triggered saw the bullions slip by nearly \$50 an

ounce, the largest drop in nearly 15 years. Despite yesterday's PPI numbers depicting a mixed scenario, gold failed to inch back and succumbed to the selling pressure.

The euro has fallen against the dollar for the seventh consecutive day, the longest stretch of weakness since 2003. Germany's investor confidence fell significantly in the month of June from 50.0 to 37.8, far below the market's already dismal 45.0 forecast.

In other news, The Bank of Japan has been reducing the level of cash it provides to the banking system from 32.1 trillion yen since March 9 in preparation for raising the overnight loan rates, the central bank's benchmark interest rate, from near zero.

According to our sources, the stop loss orders were triggered below \$570 levels in gold that saw the largest drop in 15 years amid weaker oil prices failing to lend support to the falling bullions. With losses of Asian Investors being cut in the morning gold has come down to the current \$543 level.

As discussed earlier, our fair value of gold falls at \$558 and at the current levels the yellow metal is undervalued by more than 2.5%. Despite the market sentiment taking a beating, at current levels gold is attractively priced. Silver was hammered down yesterday to its February levels from where it had started its upmove. We believe that the price correction is almost over (with a limited downside). Expect a sideways market (with some positive underdone) for a few more days until the dust settles. Today's CPI numbers data should be watched carefully.

Crude oil: Eye on inventory data

Crude oil fell to a three-week low on concerns that inflation will prompt central banks to raise interest rates further. This would slow the world economic growth and reduce energy use. Crude oil is also retreating from record highs on signs that a standoff with Iran over its nuclear programme will not curtail supplies. Crude oil also fell on expectations that a government report will show US gasoline supplies are growing as the refineries increase fuel production to meet the summer demand.

The Snapshot							
Commodity	Month	Closing price	%Cng	OI(000)	% Cng	View	Remarks
Gold	August	8,568	6.73	5,805	-1.89	Range-bound	US CPI data to be watched, undervalued
Crude oil	June	3,156	2.47	197	-24.19	Range-bound	
Copper	June	327.45	0.60	3,629	-27.69	Weak	Seasonal correction and inflation in the economy
Sugar	June	1,945	0.05	27,810	-9.03	Weak	
Wheat	June	872	-0.05	87,920	-1.34	Range-bound	Change in the import norms

Events Watch				
Date	Location	Description	Forecast	Previous
14-06-06	USA	CPI (m-o-m)	0.40%	0.50%
14-06-06	USA	CPI ex-food and energy (m-o-m)	0.20%	0.30%
14-06-06	USA	CPI (y-o-y)	3.90%	3.60%
14-06-06	USA	CPI ex-food and energy (y-o-y)	2.30%	2.30%
14-06-06	USA	CPI core index	-	204.8
14-06-06	USA	Consumer price index	202.1	201.5

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