Short covering in Turmeric

Turmeric: Heavy short covering

Turmeric futures have seen sharp rise in the last couple of days as market players covered short positions. Excessive bearish sentiments were built around the counter as prices have been falling since March of this year. However, with prices of other commodities like maize and barley on the rise, fear of a sharp cut in acreage dedicated to turmeric in Andhra Pradesh had become very real. If prices had declined further, drop in sown area would have been more than 20%, as market is expecting. Counter is likely to see more short covering in the coming few days.

Chana: Heavily range-bound

The market is waiting for the sowing data for further cues on the prices direction for the next couple of months. Chana sowing has begun in some parts of the country and fresh data is being expected. Sowing progress becomes important; as it will signal whether there has been any shift towards wheat in states like Madhaya Pradesh and Rajasthan. Expectation of fresh imports too has been capping further gains after a rally from Rs.2200 per quintal levels. However, the counter will remain steady to positive at least till the first half of November.

Sugar: Selling pressure

Traders and mills are under pressure to dispose of old stocks with the progress of crushing season that commenced after Dussehra. Mills have to sell off 1.6 mn ton October sugar by the month end, 117,077 ton unsold levy sugar that was converted to open market quota by Nov 3 and another 143,600 ton unlifted levy sugar by Nov 15. A bearish price is expected to remain as glut in spot would continue due to higher output estimates of 30-33 mn ton this season. Sugar supply would be even higher as there is a carryover of 11 mn ton from last season.

Pepper: Global pepper meet

Malaysia's minister for plantation industries and commodities will inaugurate the 35th meeting of the International Pepper Community in Kula Lumpur on Thursday, according to a report on the IPC Web site. IPC, an inter-governmental agency based in Jakarta, has selected sustainable production technology as the theme of the five-day meet. India, Sri Lanka, Malaysia, Indonesia, Brazil, and Vietnam are members of the IPC. IPC will make projections on global pepper output in 2008 as well as likely carryover stock in 2007. It will also give estimates on global pepper trade in 2007 and 2008. The outcome of the meeting will be important for the prices direction in 2008. However, in the short term the counter would be stable as there is some speculation of crop damage due heavy rains in south India.

Base metals - Down on stock build-up

Base metals fell yesterday as the stock build-ups in copper and lead continued unabated. Copper lost $25 to close at $7845, lead closed with a loss of $6, aluminium lost $13, and nickel closed with a loss of $50.

Of late, base metals have been resisting slide on strength in Crude oil, precious metals and the Euro. However, stock rise is negating the positive factors to a great extent now. Even if the rate cut happens, base metals are likely to slide further after a short-lived spike on rate cut.

Copper erased its intra-day gains on slight reversal in the US Dollar. Backwardation is collapsing which is a negative sign for the red metal. Support would come at Rs300.50 and resistance would come at Rs307.60.

Lead is losing its shine as the stockpiles continue to build up and cancellations remain poor. Backwardation is shrinking fast. Support is seen at Rs142.20/140.10/137.40, and resistance would come at Rs144.70.

Nickel stockpiles rose 42 ton as Rotterdam warehouse witnessed two-way traffic. Cancellations were decent as 210 ton moved to the cancelled category. Support is seen at Rs1212/1205 while resistance would be felt at Rs1237.

Zinc was the only metal to close in positive as it ended with a gain of $5. However, stock inflows are pressurizing this counter too. Support is seen at Rs113.45/110.30. Resistance would come at Rs114.70.

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Gold May Stay Flat

After a sustained rise even gold needs respite, and that's what gold did yesterday. It cooled its heels after what has been an unprecedented run to $800 mark. It went up, right in the morning yesterday, and touched the high of $795.50 an ounce during the London session. However by the time the New York session was opening up, the jolts were felt. Gold fell down to $785.10 due to a slight meltdown in oil prices as well as other insignificant reasons, but the most important was due to the overdue technical correction.

The reason for gold's minor injuries was a brief revival in the dollar. The euro snapped five days of gains versus the dollar on speculation credit market losses at European financial companies will weaken the case for the central bank to raise interest rates. UBS, Europe's largest bank by assets, said yesterday a slumping U.S. housing market and defaults on mortgages to borrowers with poor credit histories may lead to further writedowns. (UBS yesterday reiterated an estimate that it recorded a third-quarter loss of between 600 million francs ($516 million) to 800 million related to defaults in U.S. subprime mortgages.) Consequently the euro declined to $1.4390 at one point of time yesterday from the high of $1.4425 late in New York yesterday. It also dropped to 164.87 yen from 165.38 yen.

Again on the currency front, the Yuan rose the most in two years after China's central bank signaled it will allow the currency to appreciate faster to help narrow a record trade surplus and slow inflation.

Crude oil also fell from a record again basically because of the pending technical correction. (Crude oil came down from record highs at $93.20 a barrel earlier, as bad weather in the Gulf of Mexico forced some facilities to halt production.) Another reason was the traders' speculation that a U.S. government report this week may show an increase in stockpiles in the world's largest energy consumer. Crude oil for December delivery declined as much as 68 cents, or 0.7 percent, to $92.85 a barrel in after-hours trading on the New York Mercantile Exchange. Brent crude oil for December settlement dropped as much as 60 cents, 0.7 percent, to $89.72 a barrel on the London-based ICE Futures Europe exchange.

The prognosis for today is that the precious metals market may stay flat. On the bullish side there may be revival of the geopolitical tensions, notably over Turkey's threat of a military invasion of Northern Iraq to chase Kurdish rebels, may keep both oil and gold well bid. On the bearish side, there may be another brief revival of the US dollar, thus taking a minor toll on gold. Another bearish signal may come from traders who get jittery about the impending rate cut.

On balance, the intermediate term picture continues to be intact. There has been a distinct lack of profit taking even on the higher prices and the gold bulls are largely holding on to their positions. In fact during each dip there has been a resolute buying by both old and new money, thus providing a very good support to the yellow metal. The fireworks if at all seen will occur only because of traders' and speculators' apprehensions about the Fed Rate Cut. But these things are beyond predictions.

In conclusion, it is very possible that gold hovers within $783-790 band, and gets ready for tomorrow's action.

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