Short cover in soybean

Soy bean: Short covering

Strength in soy oil and mustard seed futures resulted in some short covering in the counter. The counter has been falling mainly due to good monsoon forecast. However, rise in international edible oil prices and spill-over effect in the domestic markets led to short covering in the market. June soy bean on NCDEX closed at Rs1,516.50 per 100kg, up Rs17.50 from Wednesday. June contract would move between Rs1,500 and Rs1,530 per quintal.

Mustard: Will follow soy oil

Firm palm oil and soy oil helped mustard futures to also post handsome gains yesterday. Arrival of mustard in major markets of Rajasthan was around 100,000 bags of 100kg each. The overall sentiments for edible oils have been firm this year, both domestically and internationally. However, the ongoing arrivals have resulted in a sharp rise in stocks in warehouse. This could weigh on the prices in the short term. The immediate range for the June contract is between Rs404 and Rs414 per 20kg.

Soy oil: Huge gains

A sharp rise in Malaysian palm oil futures led huge intra-day gains in the local soy oil futures too. The benchmark August crude palm oil contract on Bursa Malaysia hit a nine-year high to close at 2,445 ringgits (Rs29,140) per tonne, up 56 ringgits (Rs667) from Wednesday, on hopes of high exports. However, near-term imports could restrict the domestic prices from rising further from these levels in the immediate future. In Indore, refined soy oil prices were steady at Rs452-462 per 10kg. The near month contract range for the counter would be between Rs470 and Rs480 per 10kg.

Chana: Some recover but overall weak

Decrease in arrivals in Delhi, buying at lower levels and news of export ban of chana in Pakistan resulted in gains in chana futures. Delhi spot chana was at Rs2,163 per 100kg, up Rs38 from Wednesday, and Bikaner chana quoted at Rs2,107, up Rs17. Arrivals in Delhi were down by 15 trucks from Wednesday to 30 trucks (1 truck = 18-20 tonne). However, the trend in chana prices is on the bearish side with stocks in exchange warehouse remaining very high. NCDEX stock size has reached almost 30,000 tonne compared to approximately 28,500 tonne on May 22, 2007. June and July futures and spot prices on NCDEX, in rupees per 100kg, and open interest, in tonne versus Wednesday:

	Futures Price	Chng	Spot (Delhi)	Open Int (tn)	Chng
Chana(June)	2,197	33	2,163(38)	40,110	-1,170
Chana(July)	2,247	32		38,120	3,960

Pepper: Buying at lower levels

Expectations of rise in demand from exporters and buying at lower levels helped futures to reverse weak trends of the past three days. Spot future arbitrage also helped the future prices to recover from lower levels. Since future prices had gone into a deep discount to futures, traders have been buying in spot and selling in spot. However, the overall trend still remains lacklustre. Following are the Malabar garbled pepper prices of the June contract, in rupees per 100kg, at 5pm, compared with their previous closing price:

Grade	Malabar Garbled Today's Close	Change
NCDEX	14,002	196
NMCE	13,590	95
Spot		
Garbled	14,600	300
Ungarbled	14,000	300

Base metals: Melt as copper is sharply down on technical selling

The strong-looking base metal complex took a harsh beating when copper got pummeled on yet another bout of aggressive technical selling which resulted in copper falling through its critical support of recent double bottom around $7,990 to all the way down to its 200-DMA around $6,960. Selling came even after copper has bettered day before yesterday's high of $7,310.50 as it hit its intra-day high at $7,330 after the favourable LME stock data that showed that the stocks dipped by 1,475 tonne with most of the draws coming at US warehouses. The cancellation rate was solid as 3,100 tonne moved to the cancelled category, helping the cancelled ratio jump to 10.25% from 8.96% earlier. Massive selling emerged notwithstanding better than expected new homes sales and durable goods orders. April new home sales rose more than 16%, beating the forecast of a paltry increase of 0.2% and durable goods orders (ex-transportation) topped the forecast of 0.6% increase as the data showed a reading of 1.50%. As such no fundamental reason is evident behind this huge slide and this technical selling seems to be actually muscle flexing by the big guys that is forcing the metal down the key chart point. Some of the traders have expressed concern over the possibility of yet another huge build-up in Shanghai stocks, which have gone up by almost 32,000 tonne, in the last two weeks as the reason behind the selling.

The whole base metals complex is hinging on copper as such. Nickel was able to post a classic recovery as the conviction grew that huge rise in LME stocks would be a short-term phenomenon as the recent build-up could have been only material routing through Rotterdam. Nickel ignored the 366 tonne rise and rose $2,300 from its low of $45,000 during Asian hours. However sell-off in copper forced nickel to hand over all the gains and it closed with a loss of $1,190 at $45,010. As expected zinc couldn't better the resistance at $3,700 and sunk to its day's low at $3,540 in line with copper. Aluminium fell through the key support at $2,800 to the low of $2,750 and is expected to find the next support at $2,700 with $2,800 as the resistance now. Zinc might find support at $3,500/$3,430 while $3,600 would be the resistance. Nickel is expected to get support at $44,900/$43,000 while $46,000 could be the resistance.

The slide of copper is undoubtedly pressurising the complex and the traders would closely watch Shanghai weekly stocks today. A rise of less than 3,000/4,000 tonne could see copper holding its 200-DMA support at $6,930. Fundamentally still there is enough room for upside in both copper and zinc along with nickel but the counters could be quite choppy and volatile in the next few sessions while the possibility of technical plays would keep the traders on their toes.

Gold: Temporarily in bad shape

The worst fears came true yesterday; gold tanked and touched the intra-day bottom of $651 during the New York session. The day's high was $663.30, seen during the Hong Kong session. The decline came at first gradually and then severely during the evening hours, in the wake of the pro-US Dollar economic indicators. The day was important for the data infiltration and it proved very bearish for the yellow metal. Of course, its sister metal, silver was none too better; having seen better times during the day at $13.13 it slid to the dark depths of $12.74, again on the strength of the US Dollar.

Talking of economic indicators released yesterday, the orders for American-made durable goods posted their longest string of monthly gains in almost two years. Excluding transportation equipment, durable goods orders rose a greater- than-forecast 1.5% for a second month.

The second report of the day was again bullish for the US Dollar. The Labor Department said that the average of the first-time claims for jobless benefits in the past four weeks fell to 302,750, the lowest in more than a year.

Third, the purchases of new homes in the USA unexpectedly surged in April by the most in 14 years as buyers took advantage of the biggest decline in median prices since 1970. According to the Commerce Department's report new-home sales rose 16% to an annual rate of 981,000, the highest this year. In a separate report, the department said that April orders for goods meant to last several years rose 0.6%, the third straight monthly increase.

Simultaneously, the two-week surge in bond yields, prompted by unexpected signs of growth in the economy, unraveled the stock market and sent the Dow Jones Industrial Average to its longest losing streak since February.

Surprisingly, the combined effect of all these indicators was severe on the stock market, and pulled it in the negative territory. The Dow average decreased 84.52, or 0.6%, to 13,441.13. The 30-stock benchmark fell for a fourth day, its longest losing streak since February 27, the day it tumbled 416 points amid a global stock rout sparked by a sell-off in China. The Standard & Poor's 500 Index slipped 14.77, or 1%, to 1507.51. The Nasdaq Composite Index lost 39.13, or 1.5%, to 2537.92.

Since the world we live in is truly a globalised one, the after-shocks of the Dow crash were seen troubling the markets in Asia, as a result of which the Nikkei is already down 1.5% at 8.30am. Consequently, the sentiment is likely to be very diffused in the gold market. Though gold is slightly up in Asian trading in the early morning session, the mood later in the day is likely to worsen. It would not be surprising to see gold today slipping below $650 level and thus losing another $4-5.

No doubt this does not mean the story is over in gold; this only means that for the next few days gold may remain subdued. This is partly due to the imminent death of the Gold June contract which is now barely a week away. Long-term buyers, especially in India, can easily take advantage of these prices for hefty gains a few weeks/months later.