commodities buzz

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Chana arrivals to gather speed

Chana: Arrivals gathering speed

The prices of chana are easing gradually as the arrivals gather speed in Madhya Pradesh and Maharashtra. The stockists are also under pressure to prescribe to the stock limits, which has been adding to the pressure. The government's estimate for the coming crop is about 6 million tonne, well above the industry estimate of 5 million tonne.

Gold: Continues to gather steam

The past week belonged to the gold bulls. Even though the price moved marginally, the gold market was more or less in their grip. Assured during the middle of the week by an ailing dollar and the hardening oil prices, the bulls did not allow gold to slide recklessly. As a result the yellow metal ended the week in the New York spot market at $669.10 an ounce while silver clocked the figure of $13.99 an ounce.

Gold was subdued on Saturday on the MCX. Gold April contract touched the high of the day at Rs9,593 and a low at Rs9,584 before closing at Rs9,590, Rs5 above its previous close. Silver was seen doing the same. It swung between Rs20,338 and Rs20,322 before closing listlessly at Rs20,330, a shade below its previous closing.

The way gold came up on Friday after falling to a low of $663, shows that the market continues to have steam. This means going up is the path of least resistance. According to a survey by Bloomberg, gold may gain for a seventh straight week as "declines in the dollar boosts the appeal of the precious metal as an alternative investment."

The yellow metal is already up in Tokyo trading (8.30 AM) and quoting at $672 while silver is quoting at $14. The sentiment is clearly upwardly mobile; gold for April delivery may find resistances at Rs9,639 and Rs9,721 while it may have supports at Rs9,510 and Rs9,429. Silver for March delivery may find resistances at Rs20,434 and Rs20,549 while the supports come in at Rs20,221 and Rs20,117.

Soybean: Soybean tracks soy meal prices

The spot and futures prices of soybeans were range-bound with a slight positive bias on the back of the firm prices of soy meal. However, the likely weakness in soy oil might prevent the prices from rising sharply. Arrivals have reduced since last week as the farmers and stockists have shifted their focus to the *rabi* crops like wheat, pulses and mustard and are holding on to soybeans.

Soy oil: Bargain hunting at lower levels

Refined soy oil futures were weak on fears that the central government might take further steps in the form of duty cuts in the forthcoming Union Budget to ease the prices of edible oils. The arrival of the new mustard crop in many parts of the country and the sluggish demand for edible oils should keep the prices under pressure.

Wheat: Government to cut FCI floor price

The prices of wheat are likely to ease over the next week on expectations of improved supplies. There are talks that the floor price of Food Corporation of India's 400,000 tonne wheat sale tender may be reduced,which is also lending a bearish tone to the market. A senior government official has said that the government is planning to reduce the floor price for the tender by about 20%.

Mustard: Arrivals to commence next week

The spot and futures prices of mustard are likely to stay weak due to the arrival of the new crop. The new mustard crop would start arriving from the next week and this would put pressure on the prices. Moreover, the carry between the February and May mustard seed contracts on the NCDEX is very wide, which signifies selling pressure.

Copper: Down on profit taking

Copper settled slightly lower on Friday at $5,805 on the long weekend profit booking after a huge run-up during the week. Less than expected housing starts and the US consumer sentiments also added downside pressure on the red metal. Good support was seen from Asia in the morning although some short covering ahead of a weeklong New Year holiday in China was also keeping the metal afloat. A build-up of 4,355 tonne in the Shanghai weekly stocks was expected, and thus it didn't do much damage. A draw down of 1,550 tonne in the LME stocks supported the red metal. Copper spent an inside day and the trading was choppy with the metal trading both ways around $5,800 with the day's low at $5770.

The latest COMEX CFTC futures report shows that the non-commercial (NC) traders have reduced their short positions by 961 tonne and NC long positions have increased by 261 lots while the open interest has gone down by 1,232 lots. The data suggests that as expected short covering has played a significant role in the strengthening of the prices.

Stock analysis of copper shows that Friday marked the second consecutive day of the year in which no fresh arrivals were registered. However, fresh cancellations were only 475 tonne, which didn't match the outgoing stock and the cancelled tonnage ratio dipped lower to 4.72%.

Off-warrant stocks in Asia, which have been instrumental in supporting the stock statistics, stand at only 2,450 tonne. The encouraging fact is that secular one-way stock flow in the European warehouses is slowly giving way to the outflow. The cash to 3-month contago has increased by $4. Copper is being supported on the expectation of a recovery in the Chinese demand after the holidays, which is likely to limit the downside. Another factor limiting the downside is the LME warrant cash banding report, which is showing that the dominant long positions are 50-80% of the total LME copper stocks (excluding the cancelled tonnage).

The currency front should be favourable and crude oil could remain firm on extended short covering. With the USA having a holiday, the red metal is expected to remain range-bound (but firm) though the LME stocks could decide the direction. The $5,700 level would be good level to buy and selling pressure is likely to intensify above $5,900.

Other base metals: Weekend correction

Aluminium has not been able to sustain above $2,850. The metal's third attempt in recent days to surpass this level turned out to be futile on the selling by the producers above $2,860, which brought down the prices. The cash to 3-month backwardation has slipped by $5.5 to $64. Still the metal has got a good support around the $2,700 level on account of the dominant longs maintaining the short squeeze and the violent unrest in Guinea. The upside is favoured in aluminium.

Zinc ended the day slightly lower along with copper. The stock data on Friday showed a significant jump in the cancelled tonnage to 11.08% from 6.63%. The chunk of the cancellations happened in Singapore. The metal should track copper.

The sentiments are still positive in nickel though it was unable to take out the $40,000 resistance on Friday as it drifted lower after a run-up of around $5,000 last week. The cancelled tonnage stands above 52%, which is limiting the downside. It could be bought on dips at around the $38,000 level.