commodities buzz

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Pepper weak

Pepper: Large stocks in warehouse

Although global outlook for pepper remains bullish on the back of a 10-15% drop in global output, yet pepper prices on domestic commodity exchanges are likely to drop due to rising stocks in exchange accredited warehouses. As on Monday, combined warehouse stocks with all the three national commodity exchanges were above 16,800 tonne, or roughly 40% of the country's estimated output of 35,000-40,000 tonne in 2006-07. Around 8% appreciation in the rupee against dollar is also making exports uncompetitive. Yesterday, pepper futures fell by over 3% on the National Commodity and Derivatives Exchange for the second straight day with buyers mostly keeping away. Following are Malabar garbled pepper prices of the June contract, in rupees per 100kg, compared with their previous closing price:

Grade	Malabar Today	Garbled Change
NCDEX	14,806	-493
NMCE	14,351	-220
Spot		
Garbled	14,400	-200
Ungarbled	13,800	-200

Soy bean: Lacklustre

May soy bean futures climbed up sharply before expiry. However, the other contracts were mainly flat with a weak bias. Weakness in domestic soy oil prices due to impending imports would also hold the soy bean prices from making any sharp gains in the short term. Monsoon update by IMD by the end of this month or early June would provide some direction to the prices. In the near term, prices are expected to remain lacklustre due to subdued product prices.

Soy oil: Significant imports in May

Despite firm palm oil prices, local soy oil futures remained weak due to reports of high imports in the near term. Edible oil imports of 94,400 tonne are expected on May 16-21 at various ports in India, with crude soy oil imports comprising 45,500 tonne of the total. Palm oil imports of around 27,900 tonne are expected during the period, while another 21,000 tonne edible oil imports are expected on May 21. The benchmark August crude palm oil futures on Bursa Malaysia Derivatives closed at 2,323 ringgits per tonne, up 27 ringgits from Tuesday. In Indore, refined soy oil prices were at Rs463-470 per 10kg, down Rs1-7 from Tuesday.

Chana: Weakness to continue

Lack of buying, huge stocks and large amounts of expected imports have led to a chana prices falling in a tight bear grip. There is no demand from serious buyers like millers or stockists, which is pressuring chana at the moment. Chana stocks in NCDEX warehouses, as on Tuesday, topped 29,000 tonne. This indicates the possibility of very high deliveries in May and probably in June contract. May and June futures and spot prices on NCDEX, in rupees per 100kg, and open interest, in tonne, versus Monday:

	Futures Price	Chng	Spot (Delhi)	Open Int (tn)	Chng
Chana (May)	2,223	-16	2,200(-12)	8,090	-1,150
Chana (June)	2,288	-13		46,890	-350

Gold: Weaker trend

Gold went through a whole lot of trouble on Wednesday after the greenback rose smartly in the wake of unexpected rise in the US housing starts during the last month. The metal which had witnessed weak sentiment throughout the day, went through extra suffering in the New York session after the news became public about US based builders breaking ground on new dwellings at an annual rate of 1.528 million in April. Though according to another economic indicator, the number of building permits slumped 8.9% to a 1.429 million pace, the fewest since June 1997, the traders preferred to focus on the housing starts and drove gold to a two-month low.

Simultaneously gold touched a bottom of $658.90 in the spot market, a huge fall from $674.30, the day's high. Silver also went through the labour pains and saw a bottom of $12.79, after witnessing a high of $13.28.

Precious metals were also bearish owing to the weaker sentiment in energy sector. Crude oil fell more than $1 a barrel in New York after the Energy Department reported that US oil and gasoline supplies increased as refineries prepared for the peak-demand summer months.

According to the report, crude inventories rose 1.06 million barrel to 342.2 million barrel last week, the highest since June. Supplies along the Gulf Coast surged 2.38 million barrel. Gasoline and heating oil stockpiles also rose, the report showed. Prices fell earlier after Reuters reported that protesters in Nigeria left an oil facility run by Royal Dutch Shell Plc, thus ensuring that supplies may after all not be disrupted.

As if the drubbing by economic indicators and crude oil was not sufficient, the base metal advices were also weaker. Copper declined to a five-week low in New York on speculation that demand may slow in China, the world's biggest consumer of the metal.

Chinese imports in April fell to 304,672 metric tonne from a record 307,740 tonne in March. Inventories monitored by the Shanghai Futures Exchange gained 26% last week to 85,269 tonne, the highest in three years. It must be noted that China's consumption of raw materials has been the most important driver of the boom this year, having orchestrated a 23% rally in copper this year.

Coming to the trading on Thursday, the day may see further losses for both the precious metals. Though the yellow metal has risen in early morning Asian trade, the sentiment in India is weak. There are many day traders who have lost on their recent purchases and thus have been forced to square up their current positions. On the global parameters front, crude is stable at $62.66 a barrel and the stock markets have risen both in the USA and Asia during the early morning trading.

However these factors may not help gold much, owing to the fact that many hedge funds sell on technically driven downfalls and thus may release an avalanche of short-sells in exchanges abroad. In case the support at $653 is breached, gold may see the current rally slipping out of its clutches.