



## Eye on US mid-term elections

### Bullions: Eye on US mid-term elections

Gold held steady on Wednesday as investors focused on the US mid-term congressional elections. Three outcomes are possible in the elections.

First, the democrats could win and have a majority in both the senate and the House of Representatives. In such a scenario expect a short-term blip in the commodities, especially in the metals and energy. Second, the republicans could win in both the senate and the House of Representatives thereby seeing the financial markets keep going up, as the republicans are viewed as dollar negative and commodity positive.

The third and most likely scenario would be the democrats gaining a majority in the House of Representatives and the republicans taking the senate. The initial reports from the USA show this is a possibility. Should that be the case, the financial markets will maintain a status quo and hence remain bullish.

Despite indications of yet another rate hike by the Bank of Japan by the year-end and the yen becoming stronger, gold is likely to remain steady with an eye on the outcome of the elections. We continue to maintain our cautiously bullish stance until the election results are out.

### Crude oil: Still in a range

Crude oil is likely to traverse in the \$57-62 range for some time to come. Crude oil rose in New York after the oil ministers from the Organization of Petroleum Exporting Countries said that the group may cut output for a second

time in less than two months to limit an increase in the inventories. Despite the talks for December cuts having started, crude oil is likely to remain in the same range.

### Soy oil: Bounce back possible

Vegetable oils like soy oil and palm oil witnessed a correction yesterday. However, with crude oil relatively stable around the \$60 a barrel mark, the prices rebounded on the CBOT last night. The ongoing arrivals could prevent a major upside for a while but the medium to long-term trend is up as the demand for edible oils is expected to be very strong next year. This fact is evident from the massive soybean buying being witnessed in the spot markets.

### Soybean: Trend is up

After a massive run-up, the soybean futures saw a substantial correction yesterday. However, the relentless buying in the spot markets points to bullish developments in the medium term. The drop in the production of maize, which is an important animal feed, could divert the feed demand towards soy meal.

### Wheat: Consolidation in progress

The wheat futures could consolidate for some time before they see another upward movement. The spot prices, however, have been going up on dwindling supplies as the sowing progresses. The sowing in Punjab is lower than last year due to the high temperatures. The acreage under cultivation in Punjab stood at 8,000 hectares compared to 25,000 hectares last year.

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