Trend up in soy bean

Soy bean: Trend is up

Soy bean prices in both spot and futures markets are expected to stay firm in the coming days. The steady soy meal exports have been the major reason behind the firmness in the prices. The demand for soy meal is coming from Vietnam, South Korea and Indonesia. Adding to the strength has been the gradual seasonal decrease in the inventories. Traders are holding on to their stock, expecting a further rise in prices.

Soy oil: Tested the Rs460-a-10kg mark

As expected the prices of April soy oil futures tested the upper limit of the Rs455-460 range. The price rebound from the Rs455 levels was mainly driven by the strength in the palm oil prices in Malaysia. Palm oil futures breached the Malaysian ringgit 2,000 for the first time in 2007 on Friday. This morning too the CPO futures were trading in the green, which should provide some initial strength to the counter.

Mustard: Firm, tracking other oilseeds

Strength in other oilseeds like soy bean and cottonseed should provide a push to the mustard prices too. Low domestic production estimate is also likely to boost prices. However, due to the ongoing arrivals any major upside is ruled out till the arrivals reduce. In the spot market, mustard prices are seen in the range of Rs1,850-1,900 per 100kg in Jaipur, traders say.

Chana: Supply constraints

Chana futures gained on Saturday too on speculation that the short-term supplies would be greatly reduced. The recent spell of rains in north India is the primary reason for the supply disruption. The exact estimates of crop damage are still not very clear. However, this week the spot markets will mostly remain closed due to Ram Navami and year-end holidays and it may create supply crunch.

Chili: Demand matching supplies

Indian chilli exports have increased by 9% in the 11 months of this fiscal. Export potential of chillies has arrested any fall in chilli prices, in spite of a near 20% increase in the crop size this year. The Chinese crop has also been damaged which has prevented the Indian prices from falling drastically in the recent month.

Guar seed: April to target Rs2,050

Prices of guar seed and guar gum continued to remain firm on Saturday on the back of good demand from millers and restricted selling from stockists. Total arrivals on Saturday stood around 4,000 bags; arrivals in Bikaner were reported to be around 300 bags. India has a relative advantage over gaining export share for guar seeds on account of relatively lower prices quoted by Indian exporters as compared to that quoted by the exporters in Pakistan, as it happens to be one of the major competitors of India in guar gum and guar seed exports.

Copper: Profit booking erases gains, ends flat

Buoyed by aggressive buying on expected demand from China and short covering the red metal rose sharply to hit the day's high of $6,865. However, despite the encouraging existing home sales data, traders preferred to book profits as the metal has posted a decent gain of around 12% in the last two weeks and has erased all the intra-day gains to end flat at $6,720.

The existing home sales recorded an increase of 3.9% last month to an annual rate of 6.7 million as against the forecast of 6.3 million. It was the biggest percentage increase almost in the last three years. However the median price continued to fall as the median price of a home sold in February fell 1.3% year on year to $212,800, thus recording the seventh straight month of falling prices from a year earlier. Falling house prices definitely reflect a weak housing market and it seems that the increase in the sales has been spurred by the drop in the prices only. The experts opine that as the sub-prime woes surfaced only after the said sales materialized, so the market should actually focus more on the data in the coming months, though some realtors are hopeful of a slow recovery later this year. No gainsaying that the glut in the housing market due to a high level of unsold inventories continues as 3.7 million homes were on the block last month, which is nearly 6% more than the 3.5 million in January.

On the other hand, interestingly, the same housing data that apparently didn't do much to support the red metal led to a sharp drop in the bullion prices, a fall in bond prices (the ten-year note yield rose to 4.62% from 4.58% on Thursday) and boosted the US Dollar. So it appears that profit booking was triggered mainly by a steep fall in nickel and bullion prices. Fund selling on the heels of a huge build-up of 618 tonne in LME warehouses resulted in a sharp fall in nickel prices and the metal lost $4,400 in the day and closed near its low. LME stock data was quite supportive for copper as no inflows were recorded while the outflow was quite bulky at 4,125 tonne led by Gwangyang. SHFE stock build-up seen in the last three weeks came to a halt as inventories rose by only 143 tonne. Cancellations continued unabated as 3,525 tonne moved to the cancelled tonnage category, keeping the cancelled ratio at decent 8.5%.

Today on the cards we have new home sales data which is quite crucial for the copper price direction. Both energy (on Iran issue, rising gasoline demand and rising crude oil throughput before the peak driving season) and currency fronts are likely to be favourable to the metals. The cash-to-three-month spread though has eased by $9 is still running tight at $67(b). As nickel supplies are still a matter of concern, it is expected that nickel could rise sharply yet again, finding its support around $43,000/$40,000. The cancelled tonnage for the metal stands at over 33%. Steady nickel and zinc could help copper further its advance. Overall, copper prices are likely to be firm unless the same are dragged down by sharp corrections in the other metals/ a sharp drop in US home sales.

Precious metals: Upwardly mobile

A stronger-than-expected US existing home sales figure gave the US Dollar an additional adrenaline shot in the arm, though the damage caused to the price far outweighed the robustness of the data.

As a result gold for April delivery closed down $6.90 at $657.30 an ounce on the New York Mercantile Exchange after a decline to $655.50. The contract has had a good run during the past week; it had climbed $21.70, or 3.4%, over the course of six trading sessions.

Silver followed dutifully, moving from $13.08 to $13.48, before closing at $13.16 an ounce. In India on MCX, the Gold April contract moved from a high of Rs9,437 to a low of Rs9,326 per ten grams before closing at Rs9,341, thus losing almost Rs100 compared to the previous close. Silver May traded in the band of Rs19,767 to Rs19,465 before closing at Rs19,510, a loss of Rs262 over the previous day's close.

As we have been discussing during past couple of weeks, the markets are becoming increasingly jittery and are sometimes even dishonoring the bullish news. Take, for example, the recent news of the detention of 15 British sailors at gunpoint by Iranian forces while patrolling off the coast of Iraq. While the crude oil price rallied on the report, the gold market simply did not react, something a-given in a normal market.

Given such a scenario, it is not difficult to predict that the precious metals market may remain directionless for some more time. This also seems the prognosis for the day. Though given the strong oil price, a slight upswing in precious metals is expected. More so since the markets in Hong Kong are trading higher. During early morning trade (8.30am IST) gold is already up $4 and silver is up by 15 cents. If the trend continues, it would not be surprising if the Indian market opens with an upward gap.

Gold April may witness resistances at Rs9,399 and Rs9,467 while it may have supports at Rs9,254 and Rs9,201. Silver May might have resistances at Rs19,626 and Rs19,797 while it may find support at Rs19,401 and Rs19,285. No doubt, the way the things are going right now, the resistances are more likely to be breached than the supports.