commodities buzz

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Bull run continues in bullion

Bullion: Bull run likely to persist

Gold headed towards a fresh six-month high, buoyed by fund buying as the oil prices moved higher and the dollar moved down. The dollar's recent slump has prompted hedge funds to turn their attention to gold as it is seen as a hedge against inflation. The funds usually use gold as an alternative currency against the dollar and other fiat currencies.

Gold opened in New York at $652.50 per ounce and closed above the $656 level. The peak of yesterday's trading was scaled at about 10 AM New York time when the Midas metal touched $662.80 an ounce.

In India on the MCX gold for April delivery hit a high of Rs9,534 clearing the first predicted resistance at Rs9,459 and failing just short of the second resistance at Rs9,537. Silver for March delivery hit a high of Rs20,210/kg going way beyond the second predicted resistance at Rs20,091. Silver closed at Rs20,092 at the end of the day.

Spurred by the bullish crude prices, the punters are said to be entering in large numbers in the precious metals markets. As a result the bull run is set to continue on Friday.

Gold for April delivery may find resistances at Rs9.533 and Rs9,597 while the supports come in at Rs9,443 and Rs9,367. Silver is sure to follow the noble metal and try to overcome resistances at Rs20,170 and Rs20,250 while the supports may come in at Rs19,999 and Rs19,902. The bullish mood is likely to prevail throughout the morning session.

Soybean: Range-bound

The prices of soybeans were range-bound yesterday. However, the arrivals were better in the *mandis*. As the rates have been subdued for sometime, the farmers are not willing to sell at the current price levels. The March contract on the NCDEX closed Rs2 down at Rs1,436.5 per quintal. The soy meal rates at the ports were also steady, which provided support to soybeans.

Soy oil: No major trigger

The soy oil prices have been devoid of any major development in the last few days. The steady soybean prices have supported the market. The strength in groundnut oil had also some effect on the soy oil prices. The February contract ended at Rs452.1 per 10kg, down Rs1.55 from the previous day.

Pepper: Subsidy quota reached

The Spices Board has stopped accepting applications from pepper exporters for availing of the subsidy as the exports have reached nearly 20,000 tonne, the maximum quantity allowed under the scheme. The total quantity of pepper exported under the scheme has reached 19,950 tonne today. The ministry of commerce had introduced a freight subsidy of Rs7/kg for exporting Indian pepper in October 2005.

Wheat: Buying at lower levels

Some buying was witnessed at lower levels in wheat as the arrivals decreased yesterday. The stockists are expected to wait and watch before going in for huge liquidation of their stocks. However, no adverse weather conditions have been reported from wheat producing states.

Chana: Arrivals begin in Madhya Pradesh

The prices of chana fell sharply yesterday as the arrivals in Madhya Pradesh gathered speed. The prices were overheated and the trigger for selling was the arrival of stocks. The other chana producing states like Maharashtra and Karnataka have already seen steady arrivals.

Copper: Falls on USA data and LME stocks

Copper was looking to recover from a sell-off triggered by the huge build-up of 4,275 tonne in the LME stocks with support coming from the rising crude oil prices, rallying bullion complex, supply concerns on the possible strikes in two mines and better than expected USA gross domestic product (GDP) numbers. However, the red metal lost some ground when the January US ISM manufacturing data showed a downside surprise recording 49.3 (less than the decisive figure of 50 denoting a contracting factory sector). Both the European and US warehouses recorded huge inflows whereas the Asian warehouses showed inflows. Cancelled warrants now stand at 4.34%. After yesterday's slide, the bears' claim on the technical advantage has become stronger. Another huge build-up could see copper testing its $5,500 support, but a slide might be limited by supply concerns and China's improving demand.

Nickel and zinc: Nickel down but still strong

Selling was witnessed in nickel on the news of Xstrata able to avert the strike by reaching a last-minute tentative agreement with its workers. However, the degree of the sell-off was moderate as the nickel LME stocks dipped by another 606 tonne leaving the total LME stocks hardly sufficient to meet a day's global consumption. With cancelled warrants at 27.27% and extremely low stocks, the downside is limited and nickel should be bought on every dip.

Zinc moved in line with copper and was subjected to technical selling on the US data. The near term outlook for the metal is bearish and its fate remains tied with copper.