Pepper exports strong

Pepper: No export subsidy renewal

According to Spices Board Chairman VJ Kurien, the commerce ministry has no plans to give export subsidy for pepper as of now. Pepper prices have now almost doubled from a year ago and exports would be sustained without any subsidy support, he said. Export subsidy of Rs7 per kg was introduced in October 2005 when pepper prices were ruling at a low of around Rs60 per kg. In 2006-07 (April-March) India exported 28,750 tonne pepper worth Rs3.06 bn compared with 17,363 tonne for Rs1.50 bn a year earlier. The average earnings from pepper exports rose to Rs106.50 per kg from Rs86.94 a year ago. Indian pepper exports to the US, the single largest market for the spice, rose to 13,886 tonne from 6,596 tonne in the previous year.

Soy bean: Stable

As the domestic season is almost over for soy bean, the market would be driven by international cues. The United States Department of Agriculture has forecast a decrease in ending stocks of soy bean this season, which has lent some support to the prices on CBOT. This would also support domestic prices until the monsoon progress is update by IMD in June. The expected domestic oilseed shortfall for the coming season would also prompt farmers and stockists to hold on to the produce.

Soy oil: Significant imports in May

Significant imports for the current month are the only bearish factor in the short term. Strength in palm oil prices internationally would help the domestic soy oil prices to hold steady. The palm oil prices remained strong yesterday too. Benchmark August crude palm oil futures on Bursa Malaysia Derivatives closed at 2,333 ringgits per tonne, up 10 ringgits from Wednesday. In Indore, refined soy oil prices were at Rs461-465 per 10kg, down Rs2-5 from Wednesday.

Chana: Still subdued

Lack of buying interest, particularly from millers and stockists, has kept the downward pressure on the chana prices. Chana stocks on NCDEX accredited warehouses as on Wednesday fell 1,255 tonne from a day before to 27,750 tonne, NCDEX data showed. Spot chana in Delhi ended at Rs2,188 per 100kg, down Rs12. In Bikaner, it closed at Rs2,177, down Rs18, according to NCDEX data. Arrivals in Delhi from Rajasthan were 40 trucks (1 truck = 18-20 tonne), down from 50 trucks on Wednesday. Spot prices in Khamgao, Maharashtra remained subdued at Rs2,220-2,230 per 100kg. Prices were at Rs2,250 in Indore and Rs2,225 in Jaipur. May and June futures and spot prices on NCDEX, in rupees per 100kg, and open interest, in tonne, versus Wednesday are as follows.

	Futures Price	Chng	Spot (Delhi)	Open Int (tn)	Chng
Chana (May)	2,191	-33	2,188(-12)	5,880	-2,140
Chana (June)	2,266	-21		44,580	-850

Gold in bear trap

The precious metals were on the hind legs yesterday, after the greenback went on a minor rampage in the wake of better than expected US Initial Jobless Claims indicator. According to the Labour Department report on Thursday, first-time claims for jobless benefits unexpectedly dropped to a four-month low, pointing to strength in the labor market. Simultaneously initial jobless claims fell by 5,000 to 293,000 in the week ended May 12. The four-week moving average, a less-volatile measure, decreased to 305,500, the lowest in a year, from 317,500.

As can be understood, the numbers were not really striking, but the effect was. The US Dollar went up and the precious metals plunged. Gold which was hovering in the $660-64 range throughout the day, was dropped like a hot potato by traders during the New York session. The drop during the mid session was severe and the price went down to multi-week low of $653.30 in the spot market. Silver was equally hurt, falling from $13.28 to $12.65.

Gold received yet another jolt from falling base metals prices. Copper prices fell to their lowest in eight weeks in Shanghai on concern that rising production and inventories in China, the world's biggest consumer of the metal, may signal a glut in the market. Chinese production rose 17% in April to a record 274,000 tonne, the Beijing-based National Bureau of Statistics reported.

According to a report by the Lisbon-based International Copper Study Group, the world's copper surplus will rise to 520,000 metric tonne next year from 280,000 tonne this year.

Copper for delivery in three months on the London Metal Exchange dropped 4.7% yesterday, the biggest daily loss in 11 months, and it fell a further 0.9% to $7,180 a tonne at 9:50am Shanghai time today. Since gold is also considered a commodity, it was thrashed by the traders, thus signalling a major fall during the week.

With yesterday's fall, things have turned shaky for both the precious metals. The fall during the week has brought the prices down from highs of $675 levels to the current $650s. This fall, as they usually do, has broken through a whole series of stop loss orders and has taken an extra toll on the bullish sentiment, if it exists at all right now.

The prognosis for the day is mostly negative. Usually the Fridays magnify the sentiment prevailing during the week. So it should not be surprising if gold goes below $650 level. However the other side of the coin is supported by a rising crude price. Crude oil was near a three-week high in New York after rising more than $2 a barrel yesterday on speculation that refiners won't restore below-average US gasoline stockpiles before the summer demand peaks.

But, the flip side is that if crude itself falls down, it will simply take away the last straw from gold. All in all, the bearish mood may well prevail during the last day of the week.