



## Chili to remain flat

### Chili: Supply-demand parity

Chili prices in the main spot market of Guntur are expected to be steady in the short term due to a demand-supply parity. Prices would be range-bound as traders would not take fresh positions owing to expectations of huge arrivals once the Guntur market opens. Trading in chili in Guntur, Andhra Pradesh would be suspended from May 14 to June 3 due to soaring temperatures in the state.

### Soy bean: A sharp fall

News of suspected bird flu in Bengal, fears of higher soy oil imports and prospects of good monsoon pushed the soy bean prices sharply down yesterday. Demand for soy meal—a derivative of soy bean used as poultry feed—will be hit if suspected bird flu spreads. This would lead to a fall in demand for soy bean too. A stronger rupee is also expected to lead to higher imports of soy oil, weakening domestic soy oil prices. This could soften the soy bean prices.

### Soy oil: CPO prices weak

A sharp fall in soy bean was instrumental in weakening the soy oil prices. Fears of higher imports in the near term due to the strengthening of the rupee have also dampened the spirits. A huge consignment of soy oil is being expected during the month of May. This was in spite of very strong palm oil prices in Malaysia. The benchmark July crude palm oil futures on Bursa Malaysia Derivatives closed at 2,289 ringgits per tonne, up 49 ringgits from Tuesday, on expectations of higher exports.

### Chana: Huge deliveries expected in May

Chana prices would remain bearish in the next few days due to rising stocks in various exchange warehouses. As the total exchange stocks are approximately 21,000 tonne against the open interest of about 23,000 tonne, huge deliveries are being expected for the May expiry. May and June futures and spot prices on NCDEX, in rupees per 100kg, and open interest in tonne, at 5pm versus Monday are as follows.

	Futures Price	Chng	Spot (Delhi)	Open Int (tn)	Chng
Chana (May)	2,240	-37	2,200(-25)	22,470	-2,670
Chana (June)	2,324	-40		48,470	-460

### Pepper: Sideways

Pepper futures are expected to remain sideways in the short term due to a lack of any further triggers. Some buying could be expected due to the emergence of demand at lower levels. However, at the same time selling could also be seen at higher levels due to a recent reduction in prices by Vietnam. Following are Malabar garbled pepper prices of May contract, in rupees per 100kg, at 5pm compared with their previous closing price.

#### Grade Malabar Garbled

	Today	Change
NCDEX	14,990	144
NMCE	14,730	383
<b>Spot</b>		
Garbled	14,700	nil
Ungarbeled	14,100	nil

### Gold: A quiet day ahead

Like the Commodity Buzz predicted yesterday, the FOMC meeting outcome was a damp squib; there was nothing in the statement that could be called sensational or path-breaking. The Federal Reserve kept the benchmark US interest rate at 5.25% and didn't budge from its conviction that inflation is the biggest risk facing the economy despite a yearlong slowdown.

"The committee's predominant policy concern remains the risk that inflation will fail to moderate as expected," the FOMC statement said, adding that "Future policy adjustments will depend on the evolution of the outlook for both inflation and economic growth."

Since this statement came after the market hours, the traders spent the trading time apprehensively and it was this apprehension that partly made them react negatively to the gold prices. Gold fell during the mid session to a low of \$675 an ounce, not only on the apprehension factor but also because the crude futures fell 1.1% after a US government report showed that crude oil supplies made their biggest climb since mid-January and gasoline inventories rose for the first time in three months. The gold price recovered though, but a whole lot of losses remained stuck. Silver too

plunged to a low of \$13.15, but then recovered to a comfort zone of above \$13.30, the price at which it is selling right now (8.30am).

In India on MCX Gold June saw a high of Rs9,185 and a low of Rs9,060 before closing at Rs9,115, a loss of Rs41 over the previous close. Silver July contract saw a wider fluctuation, going from a high of Rs18,900 to a low of Rs18,520, before closing at Rs18,715, a loss of almost Rs135.

With the current round of FOMC drama over, the attention now will shift to the Fed's two-day meeting in late June when policy makers will revise their forecasts for 2007 and 2008. It is being discussed that the two-day format will give policy makers more time to discuss their language,

and whether data on sales, consumption, inflation and jobs are tilting toward their objective of gradually reducing inflation. Surely, at that time around, the market will also remain apprehensive for a longer period of time.

However before that time arrives, the markets are likely to dance to the tune of the economic indicators flowing on a daily basis. Today the numbers on International Trade and Jobless Claims are due and they are likely to keep the markets on the move. Gold price is likely to stay within \$675-683 band today; there is no chance of a major fall. The crude price continues to be above \$61.50/barrel and the markets in Asia are without much change. So expect a quiet day in the precious metals markets, unless the economic indicators throw a surprise.

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