Long liquidation in chana

Chana: Long liquidation

Prices have continued their downtrend from Saturday due to cutting of long positions in June. Since only 3,810 tonne chana was delivered against the May contract, with total warehouse stock at over 27,000 tonne, most of the remaining stocks are likely to be delivered in June. Open interest in July rose 1,780 tonne on the back of 1.55% fall in prices, indicating fresh short positions in the contract. June and July futures and spot prices on NCDEX, in rupees per 100kg, and open interest, in tonne, versus that on Saturday are as follows.

	Futures Price	Chng	Spot (Delhi)	Open Int (tn)	Chng
Chana (June)	2,242	-34	2,200(20)	45,820	Unchg
Chana (July)	2,294	-36		31,600	1,780

Mustard: Arrivals declining

Mustard futures remained sluggish due to weak soy oil futures and depressed demand in the local markets. NCDEX warehouses are also very high which have been depressing prices. Arrival of mustard seed in major markets of Rajasthan was steady at 90,000-120,000 bags of 100kg each compared with 120,000-140,000 bags last week. Prices of mustard seed in the spot market were Rs1,970-2,000 per 100kg, down Rs20 from Saturday.

Soy bean: Weak product prices

Soy bean futures were weak due to softness in product prices and good monsoon forecast by the Indian weather department. At present, the demand for soy bean from oil millers is weak as they are not getting enough soy meal export orders from traditional market of South East Asian countries. The expectation of higher soy bean acreage for the 2007-08 season due to strong bean prices last year is factor that is not making the prices any stronger. June soy bean on NCDEX closed at Rs1,518 per 100kg, down Rs10.50 from Saturday. In Indore spot market, soy bean prices were at Rs1,510 per 100kg.

Soy oil: Overseas cue weak

Ongoing weakness in domestic markets along with further appreciation of the rupee against the dollar and some softness in Malaysian palm oil prices depressed the local soy oil futures too. Malaysian crude palm oil futures ended slightly lower today on expectations of good production in the country. The benchmark August crude palm oil futures on Bursa Malaysia Derivatives closed at 2,362 ringgits per tonne, down eight ringgits from Friday. In the local spot markets, demand remains low and huge import consignments are dampening sentiment. In Indore, refined soy oil prices were at Rs456-460 per 10kg, down Rs3-5.

Pepper: Rupee strength to put pressure

Pepper futures on National Commodity and Derivatives Exchange fell 4% due to selling pressure as buyers mostly opted to keep a wait-and-watch stance. Expectations of a fall in price and slowdown in demand from overseas buyers are keeping exporters away. Sentiment was also weak as Forward Market Commission may limit open interest positions that could be held by individuals to 100 tonne for the near-month contract. According to a circular issued by NCDEX on May 9, the new limits would be applicable from July contract. Following are Malabar garbled pepper prices of June contract, in rupees per 100kg compared with the previous closing price:

Grade	Malabar Today	Garbled Change
NCDEX	14,543	(-)669
NMCE	14,200	(-)649
Spot		
Garbled	14,600	(-)200
Ungarbled	14,000	(-)200

Copper: Up on stocks and short covering

Copper continued with its recovery from the last Friday's low of $7,090 helped by some short covering and tentative buying on declining stockpiles. LME 3-month forward hit the intra-day high at $7,465 and closed with a gain of $133 at $7,405 though the gain came on a light volume with majority sitting at sidelines for fresh clues to direction. LME warehouses, led by New Orleans (outgo 725 tonne), recorded a net outflow of 1,250 tonne which took the headline figure down to 140,075 tonne. No inflow was recorded. Helped by the solid cancellations (1,400 tonne moved to the cancelled category), the cancelled tonnage rose by a tad to 9.19% from 9.00% earlier. The cash-to-3-month spread has tightened by $8 and stands at $72 presently.

Copper has been subjected to heavy sell-offs during the past few sessions mainly on the concerns that a hefty rise in China's imports in first four months of the year might tell upon the imports in the coming months with pricey copper further affecting the demand. Rising stocks at Shanghai warehouses helped the negative sentiments and copper gave up around 38% of its massive gains made in its stellar bounce-back from February's lows. However, the magnitude of the Chinese demand for copper is still somewhat uncertain. Moreover, the extent of build-ups at Shanghai warehouses shouldn't be too surprising given the sheer size of the dragon's imports. On the face of it, it is intuitive that China's import

related sell-off should not take the metal below $7,000 and as long as the red metal is above $7,000,looking for $8,000 again might be more beneficial for the traders unless the bears get more power aided by some further market-moving bearish development. It is interesting to note that yesterday the securities behemoth Goldman Sachs (GS) came out with its upward revision of its average price forecast for copper. GS revised its earlier forecast of $6,744 a tonne to $7,181 a tonne, citing the strong and stable demand for the metal, especially in China, as the reason. It anticipates a recovery in the US economy by the end of this year.

In order to curb exports of products that involve heavy consumption of resources and also to narrow its huge trade surplus, China's Ministry of Finance said on Monday that it would begin to impose 5-10% export duties on more than 80 steel products from June 1 and that the tariff would be raised to 15% from 10% for steel billet, ingot and pig iron products (on which the government already imposed export duties). The ministry also said that it would impose 10% export tariffs on refined lead and rare earth metals, and raise the duty on unwrought zinc (though it didn't specify by how much). The development might lead to some downward pressure on the prices of the metals, however a lot would depend on the domestic demand-supply equation and the arbitrage opportunities vis-à-vis the LME prices.

Zinc: Up on LME stocks

Zinc has been dragged down along with copper from its high of $4,130 recorded on 8th May. However the metal has still got constructive fundamentals and yesterday it managed to end with a gain of $70 to close at $3,790. The gain came in line with copper on declining LME stocks as the warehouses recorded a net outflow of 1,675 tonne. The International Lead and Zinc study group has estimated that the metal usage would top the supply by 40,000 tonne. The cash-to-3 month spread has tightened by $4 to $8 (b) now. The metal has got a good support at $3,700 while it is eyeing $4,000 yet again.

Nickel: Manages to stay up despite a gain in LME stocks

The metal has proved to be quite resilient amid the talks of demand destruction due to high prices and the production of nickel-free steel. The magnitude of its fall has been quite limited compared with the recent sharp drop in copper and zinc prices. The metal has held well despite a drop in the cancelled tonnage too. Yesterday also it managed to end with a gain of $50 to close at $50,450, ignoring a build-up of 162 tonne at LME warehouses. The cash-to-3 month spread has eased by $100 to $3,525 (b) presently. The cancelled tonnage has dropped to one-third of the figures seen a few weeks ago. It stands at 14.05% presently. Credit Suisse Group said yesterday in a report that the price of nickel may rise 20% as a shortage of smelters to process ore into metal constrains the supply. It predicted that the metal might reach $65,000 a metric tonne in the "near term".

Aluminium: Gains with the complex

The light metal moved in step with the complex and despite an increase of 1,850 tonne in LME inventory, it closed with a gain of $19 to close at $2,869. Considering the sharp pull-back in copper and zinc prices, the fall in aluminium prices has been well contained as the low during the recent sell-off has been $2,772 only, though it has not gained much despite the whole complex rallying from the February lows. The cancelled tonnage is still hovering just above 2%. The metal continues to be confined in its nine-month trading range of $2,600-$2,900. It needs to take out $2,930 which has proved a formidable resistance, witnessing heavy selling by the producers around this level. The metal could be sold into rallies with stop loss above $2,930 while it has good supports at $2,800 and $2,700. The cash-to-3 month spread eased by $1.5 to $27.50 (c).

Gold: Will hold

Precious metals climbed yesterday, in spite of the strength in the US Dollar, and ended the day with a small gain. Though at one time the prices seem to be in a free fall, they came out of the rut to follow oil prices higher and regain some lost ground. As a result gold finished at more or less the same level at which the market had opened: $662 an ounce. The mid session dip took gold to $656.40 and silver to $12.79 an ounce.

To begin at the beginning, the strength in gold is basically coming from the rise in crude oil prices. And crude is rising on the US demand outlook. Traders are speculating that US refiners will increase processing to meet gasoline demand over the summer holidays.

US gasoline pump prices rose to $3.218 a gallon in the week ended Monday, compared to $1.417 in March 1981 (equal to an inflation-adjusted price of $3.20 today). Simultaneously in London, the price of Brent oil, the benchmark for two-thirds of global output, rose to the highest in more than eight months as attacks on Nigerian facilities disrupted supplies from Africa's biggest oil producer.

The prognosis for the day is same as yesterday's. Gold may stay either flat or may add a few dollars to itself. Though the euro and British Pound have been on the losing end, at 1.3457 and 1.97, oil may continue to provide support. Crude oil is faring well in the Asian trading as well. June delivery contract of crude was at $66.28 a barrel, up a cent, in after-hours electronic trading on the New York Mercantile Exchange at 10:25am in Singapore.

Crude is also getting geopolitical support. In Nigeria, the main militant group in the Niger Delta said it might attack a pipeline supplying the Port Harcourt refinery to protest the plant's sale by the nation's government. Oil and gas workers will stop work at Nigerian National Petroleum Corp. sites on May 24 to protest the sale of the government's stake in the refinery to Bluestar Oil Services, a Nigerian group, for $561 million.

As if to provide yet another fillip to the crude price, the Organization of Petroleum Exporting Countries, which supplies about two-fifths of the world's oil, seems in no mood to increase the output for meeting the summer driving demand.

All in all, with oil looking stable, gold investors have little to fear on Tuesday.

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