



Oil to trade firm

Crude oil: Product side demand supports prices

As anticipated crude oil prices moved past \$62 a barrel on the back of the cold weather and a fall in the US inventories. The distillate supplies fell by one million barrels against an expected gain of 400,000 barrels.

Similarly, gasoline stockpiles fell by 589,000 barrels, compared to the 500,000 increase projected. Further, crude stocks fell by 360,000 barrels, slightly more than the 100,000 drop predicted. Coupled with this is the strength in natural gas, which is expected to see a withdrawal of 22 billion cubic feet from storage for the week ended November 24.

Bullions: Eye on data

Gold continued to trade in a range with some profit taking on reports that the US economy grew at a 2.2% annual pace in the third quarter, a bit faster than the 1.6% initially estimated. However, the downside was limited given the new homes sales data that came in below expectations.

The sales of new homes fell 3.2% in October to a seasonally adjusted annual rate of 1.004 million. New-home sales are now down 25.4% in the past year over the first 10 months of 2006. The mixed signals from the economic data confused the market regarding the future direction of gold. Today's data includes PCE deflator, personal spending and Chicago PMI and would further dictate the future direction of the precious metals. The initial projections for the data is dollar positive, but wait for the actual data for any trading calls.

Soybean: Bird flu scare takes toll

Soybean prices continued to decline on account of the

speculative selling due to the bird flu outbreak in South Korea. The direction of the price movement would be decided by the magnitude of the outbreak. Since South Korea is one of the biggest importers of soy meal from India, any extensive damage to the poultry industry could significantly dent our export potential to that country. The soybean futures on the CBOT were also down.

Soy oil: Not much downside

Soy oil prices corrected as the weakness in the soy complex continued. However, the demand for soy oil is not expected to have a negative affect. The palm oil futures are higher today and so were the soy oil futures on the CBOT last night. The renewed surge in crude prices also helped the vegetable oil segment.

Mustard: Weak oil meal negative

The weakness in the oil meals has had a negative impact on mustard prices. The bird flu outbreak points towards a weaker demand for meal, which could dent the demand for mustard. However, Nafed has hiked its selling price by Rs10 per quintal. The demand has slowed down and millers are waiting for the prices to come down.

Wheat: Positive

The slide in the prices of wheat is expected to be temporary as the demand could pick up any time. The Essential Commodities Act along with the weakness in the oilseeds has impacted the counter. The arrivals of wheat have been steady in the last few days. The Delhi government is trying to expand the scope of the new law to cover more traders.