commodities buzz

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Nickel loses $2,000

Copper: Nickel losses trigger profit booking

A sharp drop in Nickel prices led to profit booking in copper and the metal ended at $6,645, gaining $15. The US housing starts followed a nine-month low in January 2007 and boosted both copper and US equities. However, building permits fell below the economists' forecast showing that the builders continue to be cautious on the recovery of the ailing housing sector. A survey of builders' confidence by the National Association of Home Builders released on Monday showed uncertainties among the builders as the index fell to 36 from 39 last month.

The LME stock data continued to be supportive for copper as the warehouses recorded outflow of 1,925 tonne and no inflow. The outgo was spread across three major continents. Cancellations decelerated as only 875 tonne got cancelled with the USA and Asia leading the tally. The cash-to-three-month spread tightened further and stands at $81 presently. Tightening has been witnessed across the forwards also. The volume remained low.

As the sharp correction in nickel is expected to continue, it might cap the upside move of the red metal. This could lead to a healthy consolidation today as the market waits for the FOMC statement for its stand on interest rate and the state of economy.

Nickel Loses $2,000 as the market re-evaluates extraordinary prices

The metal was subjected to heavy selling along with profit booking spurred by the statement of Jinchuan Group Co, China's biggest producer, calling 41% rise in this metal in this year as "madness". The company added that such prices have led to "irrational investment" in production which would result in increased production. “Crazy” prices will spur higher production. The cash-to-three-month backwardation has shrunk by $300 and stands at $3,000. The ongoing frenzy is likely to see the metal losing another $1,000-$1,500 before it finds its first support. The supply concerns amid low global stockpiles are likely to attract the buyers for bargain hunting around $40,000 when the correction has run its course.

Aluminium: Down along with complex

The metal hit a high of $2,841 before cooling off with the other metals in the complex to settle lower at $2,794. As seen from the WB report the dominant long has moved to the 40-50% category, thereby halving its position. The cash-to-three-month backwardation has fallen by $24.5 to $6 now. The metal is likely to drift lower towards $2,700 as the strategic long loosens the grip.

Zinc: Almost flat

The metal ended almost flat at $3,220 as the other base metals moved off their highs. The cash-to-three-month backwardation has slipped into contango of $2 now. The metal though fundamentally strong is suffering from mainly technical weakness which is finding some reason in the rise of the headline figure of stocks. The metal is likely to track copper.

Gold "interest"ed in FOMC outcome

The housing starts did not do too much to help the US Dollar; with a whopping 28.5% decline in starts versus February 2006. The dollar was bound to go down and even though it did not go down as much as it should have, gold did manage to grab the rope and jump a few notches up.

Spot gold moved within a $10 band during the past 24 hours, travelling from $652 to $661.90. Supported by a strong crude within a gallop of $60 a barrel, the yellow metal stayed within the $652-55 strip but during the New York session it climbed a wall to penetrate the $660 territory. Silver followed faithfully, traveling from $13.11 to $13.47, before coming home at $13.26, which also happens to be the price at 8.30 this morning.

In India on MCX, Gold April moved from Rs9,422 to Rs9,358 before closing at Rs9,391, just Rs6 higher than the previous close. Silver May saw a high of Rs19,724 and a low of Rs19,515 before closing at Rs19,633, gaining more than Rs80 compared to the previous close.

It touched a high of $662 earlier in the session and the contract has now gained a total of $16.50, or 2.6%, from Wednesday's closing level.

The market's focus now shifts to the Fed meeting and to its expected announcement of the immediate course for the dollar and interest rates. My gut feeling is that the Fed will do its best to maintain the status quo. A decision to alter the interest rate climate one way or the other could set off many more unpleasant market events than just the stimulus or the tightening it would be intended to achieve. With the February 27 Dow Jones fall, the investors have shown their nervousness and they may well exhibit it again, in all its glory.

Gold has witnessed four consecutive winning sessions to close near its highest level in three weeks. This day may well turn out to be one where it declines, specially as the traders are bound to be nervous in the wake of Wednesday's Fed's decision on interest rates.

Gold April may witness resistances at Rs9,464 and Rs9,511 while the supports may come in at Rs9,319 and Rs9,287. Silver May might find caps at Rs19,789 and Rs19,894 while the supports may pull in at Rs19,522 and Rs19,406.

Soy bean: Buy on dips

Soy bean spot markets are witnessing good demand by stockists as the supplies are beginning to slow down. Plants were also buying as demand for soy meal continues to be strong. Since the season is almost over, the inventories have also started to dry down. The soy bean prices are expected to be on an uptrend in the coming days.

Soy oil: Prices consolidating

Soy oil prices are expected to trade in a very tight range in the short term as no major fundamental trigger is expected. The demand in the spot market too has been low in the last few days. Malaysian palm futures settled marginally higher overnight on concerns of weather disturbances due to La Nino. The CIF prices of crude soy oil remained unchanged on Tuesday for April shipment at $675 per tonne. The new trades estimation for vegetable oil (both Kharif and Rabi) in current oil years (November 2006-October 2007) is at 77.2 lakh tonne (LT) as compared to 80.3LT last year.

Mustard: Range-bound

Mustard prices ended up yesterday due to concerns of damage to the harvested crop due to rains in some parts of Rajasthan. Low arrivals in spot markets in Rajasthan amid intermittent rains also fuelled a rally in mustard contracts. Some market sources say that NAFED has procured 3,000MT of mustard seeds during the Rabi season, which is relatively lower in comparison to that in the same period last year. As per trade estimates, production of mustard seeds during 2006-07 would decline by 11% over last year's production.

Pepper: Buy

The domestic pepper futures ended without much change after making a firm start. The USA has been looking towards India for some exports, which has been driving the prices firm. In the domestic market good demand is there but it is met directly from primary markets. In the international market, everybody is waiting at Vietnam, anticipating that the prices would decline. However, Indonesia and Brazil are reportedly steady. Vietnam is said to have been offering 500GL at $2,300-2,400 a tonne (fob).

Chana: Sell May contract on rise

The March contract, which expired today, witnessed heavy short covering of over 11,000 tonne due to compulsion of the contract terms. Being a compulsory delivery contract, traders having short positions in March contract had to cover their positions, as another option of delivering the commodity was not possible since there was no stock in NCDEX warehouses. However, with the arrivals expected to gather speed in the coming days, the prices are expected to ease out in a few days.

Chilli: Arrivals to improve

Arrivals of chilli are expected to increase in the coming days as drying by farmers are over in many parts of Andhra Pradesh. Production of chilli in Andhra Pradesh is expected to be higher by 30% this year. However, the rise in production is not expected to impact the prices heavily as the demand from domestic players is very good along with strong exports. The Chinese crop has also been damaged, causing a decline in global supplies.