commodities buzz

Mustard will follow soy oil

Mustard: Will follow soy oil

Mustard seed futures also closed higher tracking higher closing of soy oil futures. However, high stocks in NCDEX warehouses are likely to press on the prices. Low demand for mustard oil is also not helpful in attracting buyers. The arrival of mustard seed in major markets of Rajasthan was at around 100,000 bags of 100kg each. Prices of mustard seed in spot market were unchanged from Tuesday's prices at Rs1,980-1,990 per 100kg. However, for today the counter can see some upmove due to higher palm oil prices.

Soy bean: Higher acreage expected

Soy bean futures were down in spite of the recovery in soy oil prices. The expectation of a higher acreage in the coming season is restricting the price upmove. News of some delay in monsoon also did not have any major impact on the future prices yesterday. June soy bean on NCDEX closed at Rs1,500.50 per 100kg, down Rs18.50 from Tuesday.

Soy oil: CPO at nine-year high

Soy oil futures recovered yesterday from their lows due to strong palm oil prices. The benchmark August crude palm oil contract on Bursa Malaysia closed at 2,389 ringgits (Rs28,452) per tonne, up 14 ringgits (Rs167) from Tuesday. This morning too the August contract was trading above 2,400 ringgits per tonne, which is a nine-year high. In Indore, refined soy oil prices were at Rs453-459 per 10kg, down Rs2-3 from Tuesday. The June contract should target Rs476 per 10kg.

Chana: Some recover but overall weak

Chana futures were deep in the red for most part of the day but recovered late in the day. However, the counter closed in the red. June and July futures and spot prices on NCDEX, in rupees per 100kg, and open interest, in tonne, versus Tuesday:

	Futures Price	Chng	Spot (Delhi)	Open Int (tn)	Chng
Chana(June)	2,173	-18	2,125(-45)	42,060	-2,890
Chana(July)	2,223	-16		33,880	-380

Chana stocks in NCDEX accredited warehouses, as on Tuesday, were at 28,542 tonne, up 161 tonne from the previous day. This has added some downward pressure on prices. Chana prices may show some recovery but higher levels would be met by good selling pressure.

Pepper: Buying at lower levels

Pepper prices fell sharply but they too recovered as lower levels saw some short covering and also bargain buying. Exporters are mostly staying away and slowdown in the demand from overseas buyers may keep the commodity under pressure. Following are the Malabar garbled pepper prices of the June contract, in rupees per 100kg, at 5pm, compared with their previous closing price:

Grade	Malabar Garbled	
	Today's Close	Change
NCDEX	13,754	-80
NMCE	13,539	-117
Spot		
Garbled	14,300	nil
Ungarbled	13,700	nil

Copper: Survives the nickel meltdown

As expected, yesterday turned out to be almost a replay of the Tuesday's session which saw yet another huge build-up in nickel stocks leading the complex down. A massive build-up of 1,446 tonne in LME stocks unnerved the nickel bulls and the weakness in the metal spilled over to the rest of the complex. LME 3-month copper forward crashed all the way to $7,135 before bargain hunting and strengthening euro (on ECB's interest rate outlook) helped it recover most of the lost ground. The copper counter was seen choppy around $7,200 ($3.27 on COMEX) with bears being effectively able to contain its move above $7,250. Considering the fact that nickel recorded a sharp fall of more than $2,000 for the second straight session, the red metal didn't fare too badly as it closed with a loss of only $59 on LME and $.20 a pound on Comex. A noticeable fact was that the metal managed to stay afloat despite WBMS's (World Bureau of Metal Statistics) comment yesterday that copper production exceeded demand by 99,000 metric tonne in the first three months of the year.

LME stock data was favourable with the warehouses recording a net outflow of 850 tonne while the inflow was 1,000 tonne. The cancelled tonnage was 525 tonne which was somewhat just good enough to keep the cancelled ratio steady around 9%. The cash-to-3 month spread has eased by $7 to $61(b) now. John Reade, an analyst at UBS AG, commented that copper is overdone above $7,000 and he won't be a buyer of any metal at the current prices. National Australia Bank said that the copper price this year will average 10% higher than estimated because of better than expected demand from China. The price of the metal might average $6,950 a metric tonne this year, or $3.15 a pound (earlier estimate $6,380 a tonne, copper cash price average this year so far has been $6,590.70).

Fundamentals as reflected by the continuously falling stocks remain constructive. A possibility of a strike at Peru's Southern Copper smelter, where the union is threatening a possible strike in June if the workers' concerns are not addressed, might offer some support to the metal. The supports are likely to come at $7,100 and $7,000 whereas the resistances would be met at $7,310 and $7,400.

Nickel: 1,344 tonne at Rotterdam spooks the market yet again

LME warehouse at Rotterdam recorded yet another huge build-up for the third time in a row (504 tonne and 318 tonne in the previous two days). Rotterdam recorded an inflow of 1,344 tonne which resulted in LME stocks gaining 1,446 tonne, which happens to be the highest since 11th September 2003. Nickel shed more than $2,200 (ignoring what happens to be an erratic trade at $49,200 in the Asian hours) in the intra-day and closed with a loss of $2,000 at $46,200. One of the London brokers has commented that huge build-up could be the the result of deliveries (pre-sold) by a Russian producer ahead of the closure of the Dudinka port for its annual thaw and as much as a further 3,000 tonne could be set to come into warehouses as a result. Still the bulls' confidence is shaken as the talks of demand destruction in Europe and substitutes in China grow louder. $46,000 is the crucial support level for the metal. John Reade (a UBS AG analyst) sees nickel correcting 15% to $40,000. WBMS said that the metal was in a deficit of 42,000 tonne in the first quarter.

Zinc: Loses $40 as nickel tumbles

Outside factors continue to affect the metal which happens to be on firm footing as far as the fundamentals are concerned. Crashing nickel saw the metal falling to $3,620 before it rose in line with copper to end with a loss of $40 at $3,670. LME warehouses recorded an outflow of 225 tonne while no inflow was recorded for the fourth consecutive day. The cancelled tonnage was 325 tonne which compensated for the outgo, thus helping the cancelled ratio to tick higher to 8.49% from 8.34% earlier. The cash-to-3 month spread eased by $2 and is at $9(b) presently. The metal is expected to move in step with copper. It might find support around $3,580 with the upside capped around $3,700 as of now.

Gold: Another silent day

Gold was little changed yesterday, having travelled from $656.80 to $665.50 a barrel. The market was trying to figure out which way to go, given the extent of ECB gold sales that is keeping a cap on the price. Silver too stayed quiet, witnessing a bottom of $12.85 and a top of $13.19. In India the prices were further subdued, given the strength of the rupee.

As said yesterday, the gold price right now is having a good support from the crude oil. Crude oil for July delivery is currently (8.30am) at $65.89 a barrel, in after-hours electronic trading on the New York Mercantile Exchange in Singapore.

Hovering above $65 a barrel, crude was little changed in New York after rising yesterday on doubts that US refiners can make enough gasoline to keep up with rising summer demand. Consequently Brent crude oil for July settlement rose $1.08, or 1.6%, to $70.60 a barrel on the London-based ICE Futures exchange yesterday, the highest close since August 28. Disruptions of Nigerian supply pushed Brent higher, as the country's oil is priced in relation to the North Sea grade. (Simultaneously, Nigeria yesterday raised the price of its Bonny Light and Qua Iboe crude oil, country's benchmark grades, by 25 cents a barrel to a premium of $2.90 over Dated Brent, according to the official price list of the Nigerian National Petroleum Corp., the state-owned oil company.)

It is noteworthy here that crude prices have been strong even as oil stockpiles in the USA, the world's biggest consumer, gained 1.97 million barrels last week, the fifth increase. Stockpiles held 344.2 million barrels on May 18, 7.6% more than the five-year average for the period.

A lot of strength in crude price comes from the expectations that about 6,000 Nigerian National Petroleum Co. workers plan to strike today in protest at potential job cuts after the sale of the of the Port Harcourt refinery last week. If the strike goes through, it will add to the apprehensions about the sustainability of Nigeria's supplies.

Talking of the precious metals markets today, it seems this will be another day of non-action. The stock markets are likely to stay subdued after Alan Greenspan aired a warning about the Chinese stocks being too hot. So far the markets in Asia have taken the words lightly--they are down by a very small margin--there are apprehensions that a larger slide may emerge.

Should that happen, gold and silver may see a slide of $2-4 during the day. Otherwise, it may be another placid day.