



## Weakness to continue in bullions

### Bullions: Weakness to continue

Declining oil prices eased concerns that inflation may accelerate. With no major data released yesterday, gold and silver succumbed to selling pressure. As we maintained in our *Commodity Insight*, we foresee the prices of bullions to fall during the early part of the week, before the US data trickles in and supports this counter. Expect weakness to continue for a while.

The key data releases include the US housing starts and the Bank of Japan minutes of the policy meeting that would throw some light on how central banks view inflation.

### Crude oil: To ease further

As we have been maintaining crude prices have been inching higher on the risk premium following the tension between Iran and the USA. Once these concerns ease, the risk premium will be eroded.

Last night Iranian President Mahmoud Ahmadinejad said incentives proposed by the European Union to end an impasse over the country's atomic research programme are a step forward. As a result crude oil slipped over a dollar to \$68 per barrel on expectations that the crisis may be resolved through diplomacy amid the rising inventory levels in the USA.

US crude oil stocks were 11% above the 5-year average while the gasoline stocks hover around the 5-year average. Gasoline demand normally peaks in June and going forward as the demand eases, we foresee more inventory build-up given the comfortable crude oil stocks.

### Copper: Chinese government to rein in the economy

China's industrial production for May grew by 17.0% as against the expectation of 16.50% and the money supply grew by 19.10%, as against the expectation of 18.60%. The fixed asset investment year-to-date grew by 30.30%, the most in two years. The People's Bank of China reiterated that it would strengthen coordination between domestic and foreign currency policy. The bank also stated that it will further curb excessive loan growth and control rapid investment growth, which is likely to check the demand growth for copper and other base metals in China. Inevitably, copper would take a hit and expect the prices to ease further. For details, refer to our *Commodity Insight* released yesterday.

### Wheat: Range-bound weakness to continue

The prices of wheat witnessed range-bound weakness yesterday, as the spot prices remained almost static. The speculation that stockists might release their stocks in the near term added to the weakness in the counter. The dispute over the 5 lakh tonne of wheat between Indian government and AWB also favoured the bearish sentiments. The demand from private players has been stagnating. Weakness is expected to continue in the counter.

### Soybean: Downward pressure to bring down prices

The spot soybean prices continued to decline on account of the weak demand. The bearish nature of soy oil has been affecting the prices of soybean. The forecast of the revival of the monsoon has given strength to the bears. The international factors of the weak prices on the CBOT have been giving a negative direction.