

Mentha oil short note

Mentha oil futures rose sharply by Rs95 per kg (August MCX) from recent lows of Rs470. Fall in arrivals in spot markets of Uttar Pradesh and marginal improvement in demand supported sharp rise in prices. The output estimates have been revised to 45000-50000 tonnes for 2009 against earlier estimates of 35000 tonnes due to dry better weather conditions in May-July. The arrivals were around 700-800 drums across Uttar Pradesh in July fell to 200-300 drums mainly due to festivals in the state. Export of mint products from India was 6850 tonnes during 2008-09 against 6600 tonnes in previous year. However, in terms of value, the exports have increased to Rs72050 lakhs in 2008-09 against 56300 lakhs in 2007-08. Stocks at MCX warehouses stood at 878 tonnes as on 10 August. Arrivals of mentha oil may improve marginally after end of festivals, but at the same time demand may sustain in coming months especially ahead of winter season.

Outlook

Prices are likely move up further in coming months and expected to touch Rs600-650 per kg (As given in seasonal report released in May month). However, some technical correction can be seen before resuming bullish trend. The strong demand from export market as well as domestic market may support upside movement in prices.

Technical update

Mentha oil futures at MCX rebounded from a low of 462.6 levels and trading firm for last three weeks. Currently, prices are trading at 544 levels and gained as much as 14% from recent lows. Market is finding an immediate resistance at 548.5 levels, on breach and sustain above the same, likely to trade further high. Market is trading above 23.6% retracement (523) levels of move of 775-445 and sustains above the same expected to test 38.2% (571) then 50% (610) levels in the vicinity term. Trading above the short (10, 20) and medium (50) period exponential averages signaling elevated movements in the short term. Market is also witnessing a trend line resistance near 557-560 levels. The momentum indicator RSI (14) is at 0.54 levels.



Supports: 520,489

Resistance: 571, 610

Our stance:-

We expect Menthaoil future prices to trade higher in the near term.

Recommendation: MCX Mentha oil (August): Buy in the range of 510-525 targeting 570 then 610 with stop loss below 480.

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