

Commodity Manthan

A Monthly Commodity Report from Karvy Comtrade

INVESTMENT CALLS

1. **Goldmini (April) MCX:** Resuming uptrend
2. **Jeera (April) NCDEX:** Demand the impetus
3. **Crude oil (April) MCX:** Technical break out at \$80
4. **Steel(April) NCDEX:** Infrastructural demand to lure
5. **RM seed(April) NCDEX:** Production deficit

Commodities Research Desk

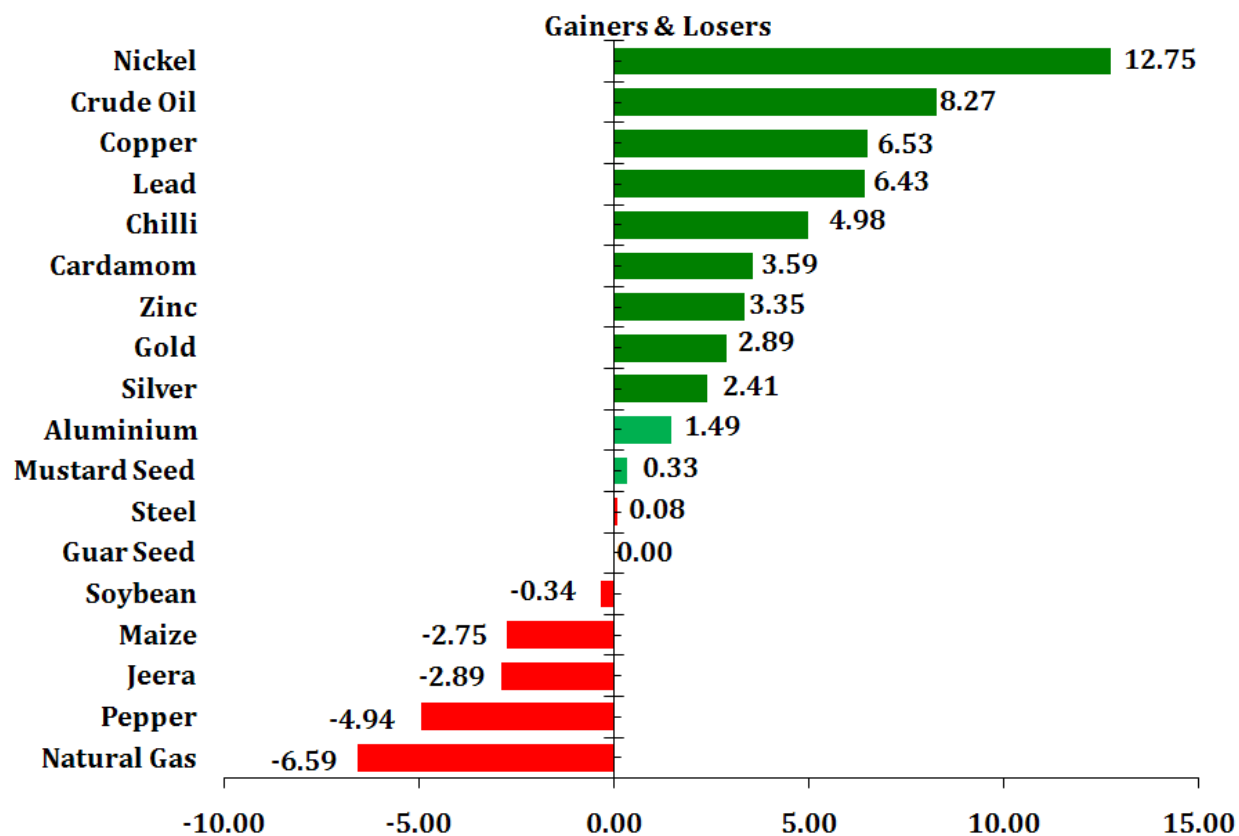
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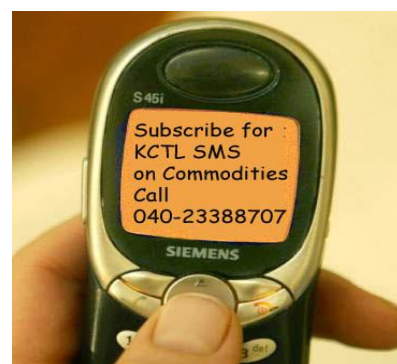
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Monthly Outlook for Investment calls

❖ Goldmini April MCX:

Fundamental:

Spot gold in the US rose 3.4 percent in February after two consecutive monthly drops in December and January. The similar trend was seen on MCX platform where domestic gold futures gained 2.89 percent. Gold closed at \$1,117.60/oz in the US spot markets and Rs. 16,789/10 gm on MCX platform last month.



Gold stands a chance of gaining further in the current month on account of dollar's weakness that may come from Europe's debt concerns, which is likely to ease out. Greece's PM assured to take active measures in an effort to cut down its fiscal deficit which will help the euro currency restore its lost confidence in the investors' community. This will further result in the dollar giving up some of its gains it earned in the last three months against the euro. Moreover, US job market is still dicey and according to Bloomberg survey, US unemployment rate may rise to 9.8 percent for February from 9.7 percent in the month before. This will add further weakness in the dollar which will boost gold's alternative investment demand. However, bullion markets may experience occasional jerks from sudden news appearing in the market place such as; China raising its reserve requirements, IMF gold sales etc. This news may trigger some sudden sell-off which will, later, be absorbed by the markets.

Technical:

Gold April future prices witnessed a sharp rally in February by reversing the previous month's trend. It made a high of 16889 and settled at 16789 levels. The closing of the previous month's candle renders an upside movement in the near term. Moreover, the next immediate resistance is at 17104 levels, a significant break above is likely to extend its gains for this month. Trading above monthly short term (10, 20) and medium term (50) EMA is suggesting an upside movements. We expect prices to trade higher and recommend buying.

❖ Jeera April NCDEX:

Fundamental:

Jeera futures are expected to trade on a positive note on expectations of emergence of export demand in near future. The concern of fall in production is likely to support the rise in prices. According to market sources, the overall production for 2010 has been estimated at 1,76,500 tonnes, which is 17% higher than last year. March is the peak arrival season for this spice but gaining local demand is supportive for the prices. As of now export demand is subdued but is expected to gain in the coming months as India is the major country offering fresh stocks.



Technical:

April Jeera futures price traded sideways to lower by extending the previous trend and after making a low of 11395 it settled at 11680 levels. However, market is witnessing a long term trend line support at 11400 levels. A sustain above the same is likely to push the prices onto the higher side. Market has breached its previous resistance at 12000 levels. This may lead the prices to 12700 levels and 13200 levels. In weekly chart momentum indicator RSI (14) weekly is trading at 0.45 levels and showing higher potential. We expect prices to trade higher and recommend buying at dips.

❖ Crude oil April MCX:

Fundamental:



Oil prices have moved near \$80 per barrel driven by some relief over the Greece debt crisis and renewed demand from Asia. The Greek government has issued directive to cut their deficit this year by an additional €4.8 billion. Higher refinery margins or crack spreads have also supported the case for refining oil into products. The US fourth quarter GDP growing by a revised 5.9 percent has also raised the outlook for oil demand in the future.

Technical:

April Crude oil future prices traded higher by reversing the previous trend and after making a high of 3748 it settled at 3690 levels. Market is in consolidation phase for the past seven months and hovering in the band of 3180-3910 levels, which is likely to extend the same trend for this month. However, market is witnessing a key support level at 3615 levels (38.2% retracement of the range 6380-1900 levels). A sustain above the same is likely to push the prices onto the higher side. The momentum indicator RSI (14) monthly is trading at 0.53 levels and showing higher potential.

❖ Nickel February MCX:

Fundamental:

Nickel traded on a positive note in February—advancing its penultimate month's gains—on the back of strong demand emanating from China and India. The LME 3-Month Forwards nickel prices gained 9.16% in February; against a marginal 0.13% fall in January. Nickel look quite strong vis-à-vis the other base metals for this month also. The abundant demand for stainless steel is likely to drive the prices higher. The global production of stainless steel in 2010 is estimated to be at 27.50 million tonnes—increasing by more than 10% compared to that in 2009. The INSG stated that a recovery in stainless steel production is expected to start in the second quarter of 2010 in developing nations like China, Korea and Taiwan. Moreover, the demand from Europe is recovering, albeit to a lesser extent, while the demand from the US is likely to recover from the third quarter.



Partial re-start of Vales Sudbury smelters would add to the existing supply woes, while the two big mine issues; per se BHP Billiton's Goro project in New Caledonia and BHP Billiton's equally massive Ravensthorpe mine in Australia; are expected to bring in supply concerns in the long run. The prices are at crucial levels now, and any further fundamental triggers might drag them higher.

Technical:

Nickel March future prices witnessed a sharp rally by gaining as much as 13.7% from the preceding month close and currently trading higher at 1036 levels. Trading above monthly short term (10, 20) and medium term (50) EMA is suggesting an upside movement in the near term. A significant break above key resistance levels of 1073 may lead the prices to gain further to 1100 and 1140. The momentum indicator RSI (14) monthly is trading at 0.53 levels and still having a potential to move higher. However, market is trading well above 23.6% retracement (range 442-2253 levels) and heading toward 38.2% (\$1132) retracement suggesting upside movements. We expect prices to trade higher and recommend buying at dips.

❖ Steel April NCDEX:

Fundamental:



The active steel futures on NCDEX, ends the February month at Rs. 24,630 per ton, marginally low by 1.1 percent as against the January's closing at Rs. 24,900 per ton. However, prices have gained around 12.47 percent as compares to same period last year. For the coming month demand for steel is expecting a surge with budget to prove the forerunner. The government had undertaken many steps in order to help the domestic steel industry, per se removed the export duty on all steel items, reintroduced import duty of 5 percent and cut excise duty to 8 percent from 10 percent.

The union budget proposals are expected to indirectly boost the overall demand for steel. The decision to raise outlay on urban development and housing by 75 percent to Rs 5,400 crore and an additional 25 percent of plan outlay for rural infrastructure, has come as a blessing for domestic steel companies. Consumption from the major sectors would be the drivers, along with firmness expected in the industrial performance. The last quarter results of steel companies are probable to post higher profits as compared to the prior quarter results thereby further building up confidence. We anticipate prices to trade higher for the month.

Technical:

April Steel future prices initially traded lower and after making a low of 23990 levels market reversed and settled (25200) near to its opening levels at 25250. However, market is witnessing a resistance at 25740 levels (38.2% retracement of the range 38100-18100 levels) only on breach and sustains above the same lead the prices to test 28000 levels (50% retracement) in the vicinity term. The momentum indicator RSI (14) monthly is trading at 0.53 levels and still having a potential to move higher. We expect prices to trade higher and recommend buying.

❖ RM seed April NCDEX:

Fundamental:

The April contract RM Seed futures on National Commodity and Derivatives Exchange witnessed a drastic fall from around Rs. 590 per 20 kg level (on 17th Dec 2009) to Rs.464 per 20 kg (on 26th Feb 2010), registering a decline of approx. 21% due to strong selling pressure on hopes of better crop condition in the current year. Furthermore, weak trend in soy complex market also had a bearish impact on the mustard seed market. In Rabi 2009, total area brought under mustard seed cultivation was 64.42 lakh hectares against 66.60 lakh hectares planted in 2008. Though the acreage declined by 3.27% production is not expected to fall drastically because of improved yield level in key growing areas.



After reaching a contract low, mustard seed futures are recovering on account of short covering coupled with fresh buying at lower levels. Investors and traders are buying futures on speculation that demand for mustard seed and oil would pick-up in the short term at lower levels. The production is expected to be down this year compared to last year. The Rapeseed-Mustard Promotion Council of the Solvent Extractors' Association of India has estimated India's mustard seed production for the year 2009-10 at 59.20 lakh tonnes against 62 lakh tonnes produced last year. This estimate is exclusive of rye and toria, which are normally grown in Kharif season. According to market sources, the carry-forward stocks from previous year are around 10 lakh tonnes. It is expected that soy complex prices might go up on low level buying from investors and traders. Hence, it might provide underlying support to the mustard seed market.

Technical:

April RM seed future prices traded sideways to marginally higher and after making a high of 499.5 it settled at 476.5 levels. However, market is witnessing a key point long term trend line support followed by medium term (50) monthly EMA. A sustain above the same suggesting an upside movements in the near term. Moreover, the crucial support is at 471 levels only on break below the same, we may change our view. In weekly, chart momentum indicator RSI (14) is trading at 0.30 levels and expected to bounce back from oversold zone. We expect prices to trade higher and recommend buying.

The month ahead for commodities

Commodity	S2	S1	Previous Close	R1	R2	Recommendation
Gold	15621	16205	16789	17131	17473	Bullish
Silver	22768	24441	26114	27182	28250	Bullish
Crude oil	3198	3444	3690	3842	3994	Bullish
Gasoline	87	91	95	97	99	Sideways
Natural gas	190	206	221	251	281	Sideways to lower
Copper	270	302	335	356	377	Sideways
Nickel	736	854	972	1032	1092	Bullish
Lead	81	91	100	109	118	Sideways to higher
Zinc	82	91	101	110	119	Sideways to higher
Aluminium	89	93	98	101	103	Sideways to higher
Steel	23307	24253	25200	25883	26567	Bullish
Pepper	11885	12499	13114	13939	14765	Sideways to higher
Jeera	10740	11210	11680	12335	12990	Bullish
Turmeric	6473	7077	7680	8052	8423	Bullish
Cardamom	916	1030	1144	1261	1378	Sideways
RM seed	444	460	477	496	516	Bullish
Soy oil	434	450	465	477	488	Sideways to lower
Soybean	1922	1983	2045	2134	2224	Sideways to lower
CPO	336	354	372	381	390	Sideways
Cocud	1029	1061	1094	1146	1199	Sideways
Gur	970	1040	1110	1235	1359	Sideways to lower
Guar seed	2093	2235	2377	2527	2677	Sideways to higher
Menthaoil	538	558	579	594	610	Sideways
Potato	460	488	516	569	623	Sideways to higher
Chana	2022	2121	2221	2332	2444	Sideways to higher
Almond	336	371	407	441	476	Sideways
Wheat	1013	1083	1153	1273	1394	Sideways to lower

KCTL RESEARCH FORECAST ON COMMODITIES, CURRENCIES AND INDICES

Commodity	1-Month	3-Month	6-Month	12-Month
Gold-COMEX (\$/oz.)	1070-1175	1040-1225	1025-1250	980-1350
Silver-COMEX (\$/oz.)	16.20-19.00	15.40-20.00	14.60-21.00	14.00-22.50
Crude Oil-NYMEX (\$/bbl)	75-88	72-90	65-92	60-95
Copper-LME-3MTH (\$/t)	7400-8000	7200-8400	6800-8500	5800-9000
Lead-LME-3MTH (\$/t)	2100-2340	2020-2400	1950-2500	1800-2700
Zinc-LME-3MTH (\$/t)	2180-2450	2100-2600	2000-2700	1900-3000
Nickel-LME-3MTH (\$/t)	21000-23500	19500-25000	18000-26000	16000-28000
Aluminium-LME-3MTH (\$/t)	2100-2300	2000-2400	1900-2500	1800-2600
Currency	1-Month	3-Month	6-Month	12-Month
USD/INR	44.80-46.50	44.00-47.00	44.00-48.00	43.00-50.00
EURO/USD	1.3400-1.4000	1.3200-1.4200	1.3000-1.4500	1.3000-1.5000
GBP/USD	1.4700-1.5400	1.4500-1.5800	1.4200-1.6200	1.4200-1.6500
USD/JPY	86-91	84-93	82-95	78-100
Indices	1-Month	3-Month	6-Month	12-Month
SENSEX	15800-17800	14500-19000	13000-20000	12000-22000
NIFTY	4700-5400	4500-5600	4300-5800	4200-6000
DOW JONES INDTL AVG.	9950-11000	9600-12500	9200-13000	9000-13500
S&P 500 INDEX	1080-1170	1070-1200	1050-1250	1020-1300
FTSE 100 INDEX	5050-5650	4800-6000	4500-6200	4400-6500
NIKKEI 225	9400-11000	9000-11500	8600-13000	8000-14000

Investment calls for the month of March.

- ❖ **Goldmini Apr Mcx:** Buy 1st lot at 16960-16980, 2nd lot at 16880-900 targeting 17300 then 17500 with stop loss below 16640
- ❖ **Crude oil Apr Mcx:** Buy in the range 3650-3660 targeting 3740 & 3800 with stop loss below 3580
- ❖ **Jeera April NCDEX :** Buy at 12200-12150 targeting 12700/12900 with stoploss below 11750
- ❖ **Steel April NCDEX:** Buy above 25650 targeting 26300/ 26800 with stop loss below 25000
- ❖ **RM seed April NCDEX:** Buy above 490 targeting 517 with stop loss below 475

Pay- off matrix for March 2010

Commodity	Contract	Strategy	Entry	Target	Stop Loss	Profit	Loss
Gold mini	Apr-10	Buy	16930	17500	16600	11400	-6600
Crude oil	Apr-10	Buy	3655	3800	3580	14500	-7500
Jeera	Apr-10	Buy	12170	12900	11750	21900	-12600
Steel	Apr-10	Buy	25650	26800	25000	11500	-6500
RM seed	Apr-10	Buy	490	517	475	13500	-7500
Total (INR)						72800	-40700

Performance for the month of February 2010

Commodity	Entry	Target	Stop loss	Closed	Profit/Loss
Copper	323.5	295	334	334	-10500
Nickel	915	960	890	943	7000
Silvermini	25850	25000	26300	26300	-6985
Kapas	622.5	600	640	605.5	3326
Total Loss	-7159				

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