

## An update on Mentha Oil

Mentha oil prices have been on a rise since March 2010. Karvy released its seasonal report on Mentha Oil on 15<sup>th</sup> March 2010. As per the bullish outlook mentioned in the report price maintained their upward swing.

Spot rate which was hovering around Rs.620 per kg at Chandausi market in the month of March 2010, has now reached up to Rs.825 per kg.

The major supportive factors are:

- As mentioned in our seasonal report, acreage estimates and production expectations, available by the end of May have given a fresh direction to prices
- According to market sources, despite the reports of good sowing in the beginning of the season, actual acreage remained on the lower side
- Acreage under Mentha Oil for this year has been 20% lower as compared to previous year to around 1.28 lakh hectares
- Production expectations as per market sources is also down by 20% as compared to last year to around 28,000-29,000 tonnes
- The reason being lack of rains during the months of March-May, which is the growth phase for the crop
- Active demand is there in the spot market as of now, mainly from Pharma companies
- Mentha oil is mainly an industrial product with active demand for pharma, confectionery and oral hygiene products manufacturing
- Spot rate today at Chandausi market has gone up further to Rs.825 per kg

### Outlook

Prices are expected to rule firm for now, supported by the bullish fundamental factors of ***lower production expectations amid good demand***. By end of June there could be some correction in prices as demand remain subdued during rainy season. But, the downside in prices will remain limited as there are fears of stock shortage amid sustained demand.

## Technical analysis



**Note:** Rs.793 is the crucial resistance to look at. On break of 793-800 range we may see prices testing Rs.850/870 levels. In case, market fails to breach Rs.800, a short term correction can be witnessed which can pull the oil prices to test Rs. 730-700. However, the ongoing price behavior suggests market may break Rs.800 and a new high can test around 850 levels.

However, we do not recommend taking fresh long positions at these rates as current rates are near overbought zone in technical analysis. Those who are holding any prior long positions may add fresh positions beyond 800 with a trailing stop loss below 30 levels. Intraday or short term traders may wait for a correction to take advantage of expected price rise.

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