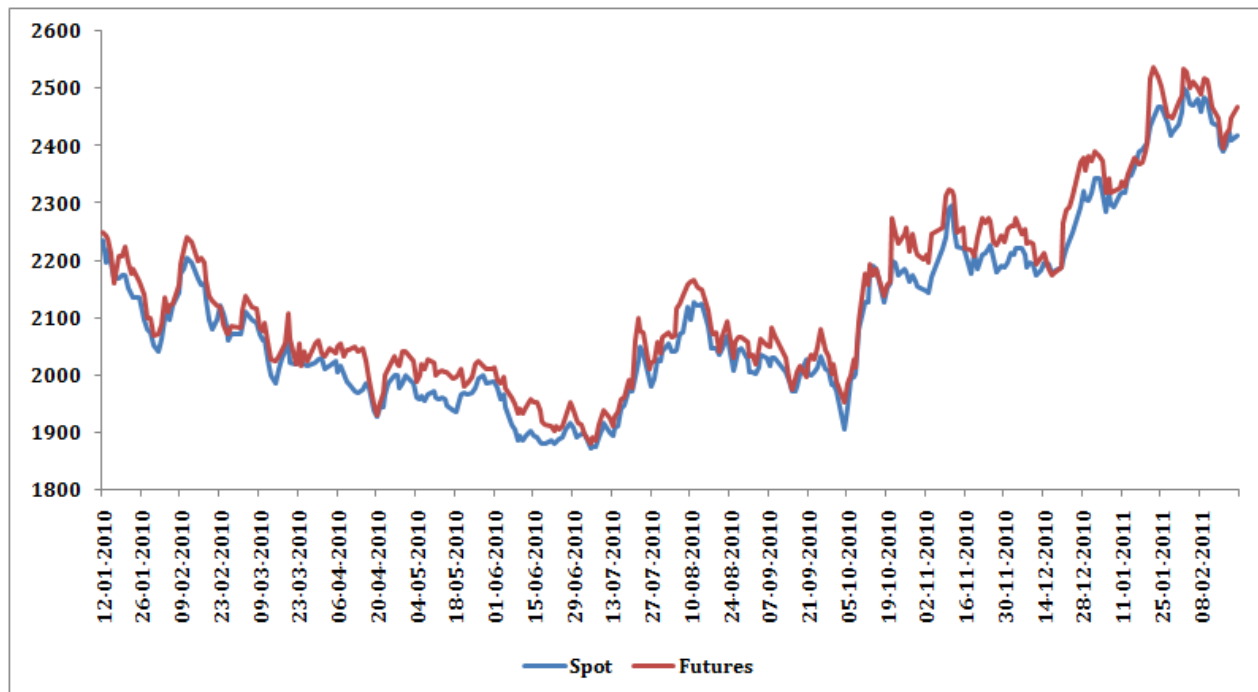


Soybean: Short Term Report

The soybean futures on Indian bourses declined sharply in last couple of trading sessions on emergence of selling pressure. Investors and traders were on a selling spree in recent past on expectation of decline in demand for its by-products. As expected, the physical demand for soy meal and soy oil declined sharply owing to higher price. The soy meal demand from local trades as well as exporters declined owing to shift in demand from India to Brazil. Declining crush margin also prompted crushers to stay away from active buying. The news from the government corridor on likely extension of stock limit on edible oil and oilseeds led to a sharp decline. The weakness in international market due to shift in demand from US to Brazil following commencement of harvesting in latter country led the Indian market show a weak trend. Shrinking demand for soy and its derivative and hike in rise in interest rate by China were also bearish factors for the market.



Outlook

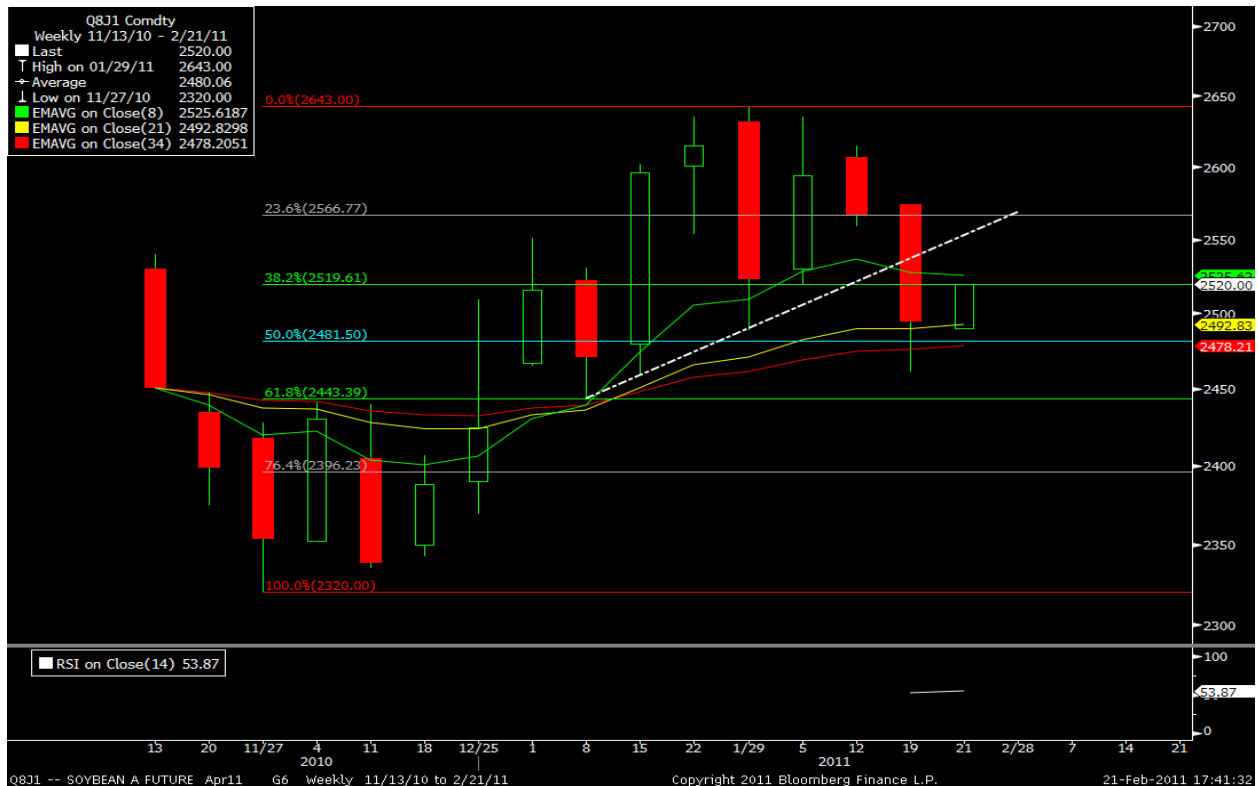
The soybean futures are forecast to trade on a weaker note in the medium term based on following factors

1. Soy meal export demand has been declining due to shift in purchases from India to Latin America
2. Identification of harmful pest in the soy meal cargoes sent by India to Vietnam is likely to dampen the export demand
3. Spot markets are likely to witness subdued trading especially from crushers due to lower crush margin and poor export enquiries
4. Brazilian traders are offering soybean and its by-products at lower prices following commencement of harvesting in that country
5. The Brazilian soy meal FOB price is quoting below \$400 a ton while Indian price as ex-Kandla is \$405-410 FAS
6. Full-fledged harvesting of Rabi oilseeds is likely to have a bearish impact on the market
7. Report of Bird Flu outbreak in North Eastern states is likely to dampen the demand for soy meal in India

8. Brazilian crop harvesting is getting momentum and likely to intensify in the near term
9. According to Safras and Mercado, Brazilian farmers harvested 9% of their 2010 soy crop as on 18th February
10. The demand from China is likely to slow down following hike in Banks' Reserve Requirement to control higher inflation

Technical analysis

Soybean April future prices witnessed downfall for the past two weeks by declining as much as 3.9% from previous close. Market is witnessing a trend line resistance near 2530 levels supported by moving average resistance near 2526 levels. Sustain below these levels would lead the prices to remain lower. Fibonacci principle also having a resistance near 2519 levels (38.2% retracement of the range 2643-2320 levels), which would be a key level to watch for short term. On the lower side support is at 2480 levels (50% retracement) only on break below it is expected to decline further. Overall, we expect prices to move lower having a strong resistance near 2520-2540 levels.



Recommendation: Soybean April NCDEX: Sell at 2520-2535 TP 2470/2450 SL 2570

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