



Commodity Manthan

A Monthly Commodity Report from Karvy Comtrade Ltd.

INVESTMENT CALLS

1. Silver Mini June MCX: *To stagger*
2. Natural gas July MCX: *Declining inventory to push the prices*
3. Crude oil July MCX : *Faltering Oil Demand*
4. Zinc June MCX : *Declining output to support prices*
5. Steel July NCDEX: *Increase in costs to send prices higher*
6. RM seed July NCDEX: *Set to rule higher*
7. Guar seed July NCDEX: *Bears in action*
8. Chana July NCDEX : *Bull run to kick off*
9. Rubber July NMCE: *Rains to cushion rise*

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INVESTMENT CALLS FOR THE MONTH OF JUNE

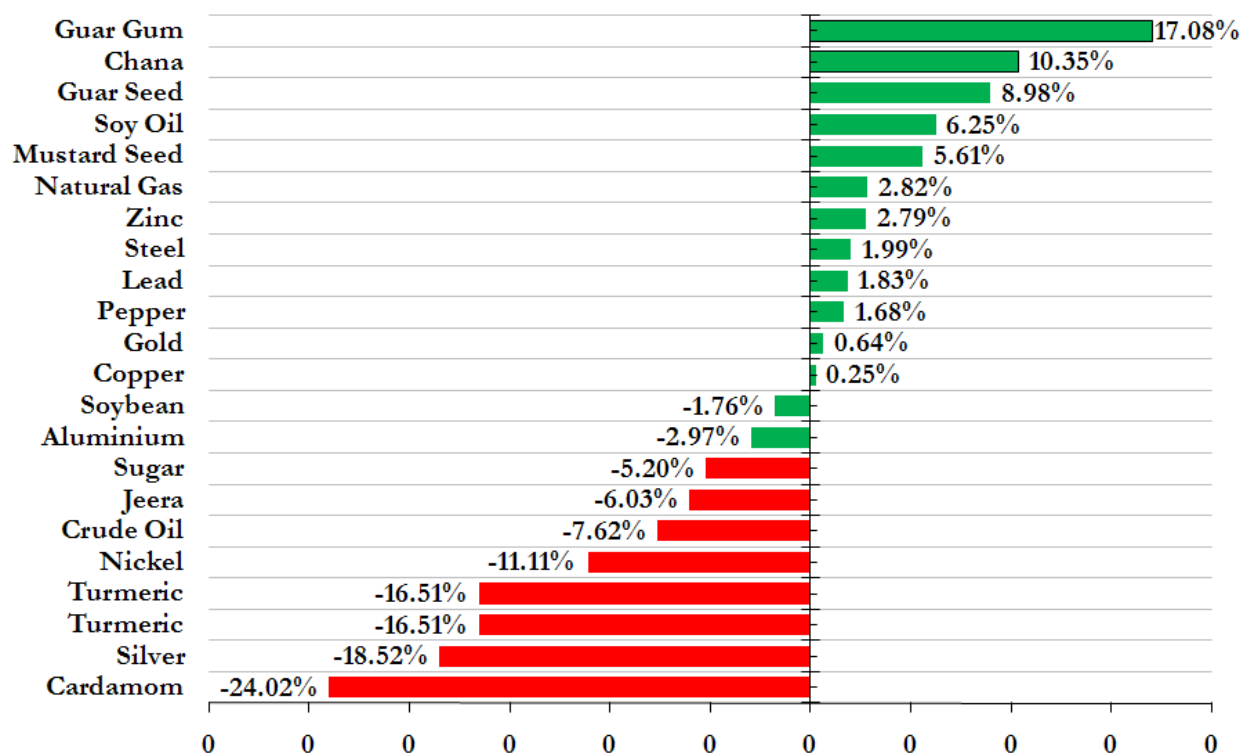
- ❖ **Silver mini June MCX:** Sell at 57500/58000 target: 53000 then 50000 SL above 60000
- ❖ **Crude Oil July MCX:** Sell at 4600-50 target: 4420/4350 SL above 4750
- ❖ **Natural Gas July MCX:** Buy at 206/210 target: 230 then 240 SL below 196
- ❖ **Zinc mini June MCX:** Buy at 99/100 target: 107 SL below 95
- ❖ **Steel July NCDEX:** Buy at 29600-800 TP 30800/31800 SL 29100
- ❖ **RM seed July NCDEX:** Buy at 2850-80 target 3000/3100 SL below 2800
- ❖ **Chana July NCDEX:** Buy at 2570 target: 2700 SL below 2500
- ❖ **Guar seed July NCDEX:** Sell at 3340-80 target: 3100/3050 SL above 3450
- ❖ **Rubber July NMCE:** Buy at 22400-600 target: 23800 then 24500 SL below 21700

Pay- off matrix for June 2011

Commodity	Contract	Strategy	Entry	Target	Stop Loss	Profit	Loss
Silver mini	June-11	Sell	57500	50000	60000	37500	-12500
Crude oil	July-11	Sell	4600	4350	4750	25000	-15000
Zinc mini	June-11	Buy	100	107	95	7000	-5000
Steel	July-11	Buy	29800	31800	29100	20000	-7000
Natural Gas	July-11	Buy	210	240	196	37500	-17500
Guar seed	July-11	Sell	3340	3050	3450	29000	-11000
Chana	July-11	Buy	2570	2700	2500	13000	-7000
Rubber	July-11	Buy	22600	24500	21700	19000	-9000
RM seed	July-11	Buy	2880	3100	2800	22000	-8000
Total (INR)						220000	-88000

Commodity **GAINERS** & **LOSERS**

Gainers & Losers



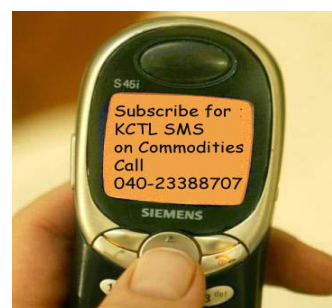
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MONTHLY OUTLOOK FOR INVESTMENT CALLS**❖ Silver Mini MCX:**

The investment demand for silver has slashed raising concern for the reluctance to invest in the metal. Besides, global downfall in manufacturing activities may wave off the industrial component of the metal. The end of QE2 is not likely to have provided enough boosts to the economy and hence more money printing may come up. FOMC meeting on Jun 21 may throw a light on the protective measures that could have been taken to bolster the growth. Rate hike possibilities are also there from the bank of England and ECB. Global equities may take a back seat once the Fed will stop buying bonds and hence may impact the metal indirectly. Hence we expect silver to retreat keeping the seasonality factor at 92.99.

**❖ Natural Gas MCX:**

Natural gas futures prices are likely to trade on higher side in the coming month on concern of supply disruption due to upcoming hurricane season and lower storage report released by US energy department. As per National Oceanic Atmospheric Administration, US this year is expected to see an above normal hurricane season this year in Atlantic Basin. June first is considered to be the beginning of the Hurricane season officially, which ends in November. US working gas storage level stands at 2107 Bcf, which is lower than last one year storage level at this time. Similarly, rig counts have increased

but in a very lower pace, currently stand at 887 numbers which is 52 numbers down from last year average rig counts.

❖ Crude oil MCX:

Oil futures are likely to trade on lower side on concern of faltering demand due to slow economic growth of world's major oil consumers. On the other side Peak summer season and ongoing hurricane season may create some bubble in oil price movement. Hurricane season have already started from June and will continue till November, which may create the disturbances in crude oil production and supply. Thus, expectation of higher demand in lieu of summer driving season along concern of oil supply and distribution may boost oil prices. However, from Global economic front there may be some pressure. Economy of major oil consuming countries like US, China and Japan are going through a sluggish movement.





❖ Zinc MCX :

Zinc was the top performer among the base metal pack in the month of May as it ended with gains of nearly a percent on LME and 2.8 percent on MCX. Stocks on LME however continued to witness build-up as they increased by 4 percent to 854,550 tonnes. Zinc output might decline after devastating earthquake disrupted activities at many of the Japanese smelters. Overall, the market might remain in surplus this year, but given the disruption in output, the quantum of surplus might narrow down. Risk factor however is that economic data in the recent past has

raised concerns about economic recovery and thereby might weigh on prices.

❖ Steel MCX :

On NCDEX, steel long prices ended higher with gains of 2.1 percent at 29,180/tonne. Steel prices are expected to move higher as increase in production costs is prompting companies to hike prices. Some of the companies have already indicated rate hikes. Given the shortage of availability of raw materials, bias for steel prices continues to remain on the higher side. In China, power shortages might become more rampant in the summer, given the recent indications and measures taken by companies to reduce power output. This would slowdown production and thereby might support prices. Overall, steel prices are expected to remain on the higher side.



❖ RM seed NCDEX:

Mustard seed prices are expected to move northwards during the month ahead. The arrivals of mustard seed across the Indian spot markets gradually declines from the month of June. The stockist and crushers are aggressively buying across the spot markets as the prices have decreased noticeably during the peak arrival season. The USDA report due to be released on June 9th is expected to forecast tight supply situation for the global oil seeds. The mustard seed prices might find cushion from the positive trend in the oil seed complex. The export consignments signed

during the peak arrival season, due to be dispatched in the short run also prompts the crushers buying across the spot markets. The crushing margin is also reported to gradually increase owing to the good export demand for the commodity which supports the prices.

❖ Guar seed NCDEX:

We expect guar price to remain down in coming month in absence of demand amid good sowing prospects. The supportive weather conditions for the progress of the monsoon are further expected to have a negative impact on the prices. The projections about the increase in acreage of guar by 15 to 20 per cent might impact the market sentiments. The possibilities of the increase in acreage in guar seed is due to the sowing of the gaur in the crop damaged regions under cotton. The physical market participants liquidate their stocks across the spot markets which might pressurize the



spot prices and have the same impact on the futures. The absence of the demand while the arrival from stock hit the spot markets might also result in down trend in the prices.



❖ Chana NCDEX:

Chana futures are likely to trade positive in coming month. Traders and millers might go for more buying in anticipation of the rise in demand. Upcoming festive season starting from August is likely to support the prices. According to trade sources, arrivals in the benchmark Delhi physical market are likely to remain low which is likely to add to positive side. These sentiments across the physical market are likely to support the price movement in futures. We need to watch out the sowing progress in Canada and Australia as we

largely import from these regions. Indian kharif pulses sowing prospectus might also limit the gains in the Bull Run in the chana prices.

❖ Rubber NMCE:

The NMCE rubber futures are likely to continue the positive trend in the month ahead on limited supply. Demand from end-users might support prices at spot markets anticipating likely supply disruption in upcoming rainfall season. Prevailing rainy condition on monsoon progress in major growing regions of Kerala is hampering the tapping activity. Therefore, due to reduced tapping supply is expected to remain limited which might support the prices. According to trade sources, this year rubber supply for the month of June is expected around 40,000-60,000 sheets against 1.7 lakh sheet during same period last year. Global rubber markets are likely to continue the positive trend in the coming month on robust demand amid supply concern. Supply disruption from Thailand due to wet weather situation is hampering the tapping activity might attract buying in TOCOM and Shanghai market.



THE MONTH AHEAD FOR COMMODITIES

Commodity	S2	S1	Prev Close	R1	R2	Recommendation
Gold	22200	22420	22668	22840	23050	Sideways
Silver	51000	52050	54403	56500	57800	Sideways to lower
Crude oil	4120	4300	4504	4650	4800	Bearish
Natural gas	175	192	211	225	238	Bullish
Copper	396	404	417.35	425	440	Sideways
Nickel	970	1005	1064.50	1065	1090	Sideways to lower
Lead	103	108	114.60	120	124	Sideways to higher
Zinc	92	96.50	102.25	108	112	Bullish
Aluminium	111	116	119.80	124.50	133	Bullish
Steel	28700	29500	29180	30900	32000	Sideways to higher
Pepper	27300	28500	28867	30000	31000	Sideways to higher
Jeera	12700	13500	14094	14400	15200	Sideways to lower
Turmeric	6600	7000	7434	7700	8200	Bearish
Cardamom	680	700	744.70	780	820	Sideways to higher
RM seed	2830	2860	2897	2950	3080	Bullish
Soy oil	635	642	660.95	668	680	Sideways to higher
Soybean	2268	2325	2372	2400	2470	Sideways
CPO	490	514	533	540	555	Sideways
Cocud	1080	1100	1115	1140	1170	Sideways
Gur	865	910	982	1030	1100	Sideways
Guar seed	2880	3000	3276	3380	3520	Bearish
Mentha oil	815	840	866	930	1005	Bullish
Potato	350	380	424.1	480	530	Sideways to higher
Chana	2430	2490	2548	2630	2700	Bullish
Barley	1300	1330	1407	1445	1495	Bearish
Wheat	1090	1130	1193.8	1225	1252	Bearish

KCTL RESEARCH FORECAST ON COMMODITIES, CURRENCIES AND INDICES:

Commodity	1-Month	3-Month	6-Month	12-Month
Gold-COMEX (\$/oz.)	1460-1580	1415-1630	1360-1660	1310-1700
Silver-COMEX (\$/oz.)	31.30-43.40	30.20-47.90	26-50.20	24-51.30
Crude Oil-NYMEX (\$/bbl)	88-102	82-115	78-120	67-130
Copper-LME-3MTH (\$/t)	9500-8860	8400-10200	8000-11250	7800-12300
Lead-LME-3MTH (\$/t)	2350-2550	2300-2750	2150-2900	2060-3040
Zinc-LME-3MTH (\$/t)	2180-2480	2000-2600	1930-2800	1820-3160
Nickel-LME-3MTH (\$/t)	21550-24560	20400-29420	19200-31400	17300-37450
Aluminium-LME-3MTH (\$/t)	2440-2800	2360-2940	2300-3200	2160-3400
Currency	1-Month	3-Month	6-Month	12-Month
USD/INR	44.50-45.20	43.60-46.20	44.30-47.00	43.00-48.00
EURO/USD	1.4000-1.5200	1.3400-1.6000	1.2800-1.702	1.188-1.763
GBP/USD	1.60-1.73	1.42-1.820	1.35-1.93	1.28-2.01
USD/JPY	76.40-87.30	75.00-90.10	63.77-95.80	60.00-101.60
Indices	1-Month	3-Month	6-Month	12-Month
SENSEX	17800-19000	17000-20000	21200-17200	16400-21560
NIFTY	5300-5750	5150-5960	5000-6150	4782-6500
DOW JONES INDTL AVG.	11750-12330	11500-12700	11000-13200	10200-14300
S&P 500 INDEX	1225-1320	1170-1400	1100-1480	1000-1600
FTSE 100 INDEX	5600-6000	5400-6200	4900-6700	4800-7000
NIKKEI 225	8800-10200	7500-12300	6980-12650	6840-13900

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