



# SPICES WEEKLY



A weekly fundamental and technical report on spices

22 March 2010

## Pepper

As per expectations, Pepper futures traded on a positive note during the week ended March 20, 2010 due to continued buying on the exchange supported by the fundamental factors of tight supply in the physical market amid gaining demand. The reports of crop damage in Brazil and Vietnam is also assisting the gain in prices. The active NCDEX April pepper futures opened at 12862 levels and made a weekly high and low of 14502 and 12658 levels. It settled the week at 14502 levels, gaining by 13.50%. Both the volume and the open interest for the NCDEX April contract rose by 150.84% and 77.53%, respectively, which indicate the continuity of uptrend.

### Factors to watch out

- ❖ Vietnam crop for 2010 is expected lower by 10% as compared to previous year to 90,000 tonnes
- ❖ Brazil is facing adverse weather conditions and production is expected to be lower by 40% as compared to the last year crop of 35,000 tonnes
- ❖ Moreover, Vietnam is not in a hurry to sell as it has created history by exporting nearly 1,35,000 tonnes last year
- ❖ Tight supply situation is prevailing in the international market
- ❖ In the spot market participation from growers is gradually increasing with rise in price realization
- ❖ Earlier growers were unwilling to sell due to lower rates of pepper
- ❖ Easing arrival pressure from Karnataka is also supporting the rise in prices
- ❖ In the international market Indian origin black pepper traded up by \$200 at \$3,300-3,350 per ton (fob), Indonesia Asta at \$3,225-3,325 per ton (fob), Vietnam Asta at \$3,000-3,100 per ton Brazil Asta at \$2,900-2,950 per ton for the New York market
- ❖ Spot rate at the major market of Cochin has gone up by Rs.700 per quintal during this week to Rs 13,800 per quintal for garbled pepper MG-1 and up by Rs.500 per quintal for ungarbled pepper to Rs.13,300 per quintal

### Outlook

Pepper futures are expected to maintain its uptrend for the week supported by fundamental factors of tight supply amid good demand. However, intermittent profit taking can be lead to some correction in prices.

### Technical outlook

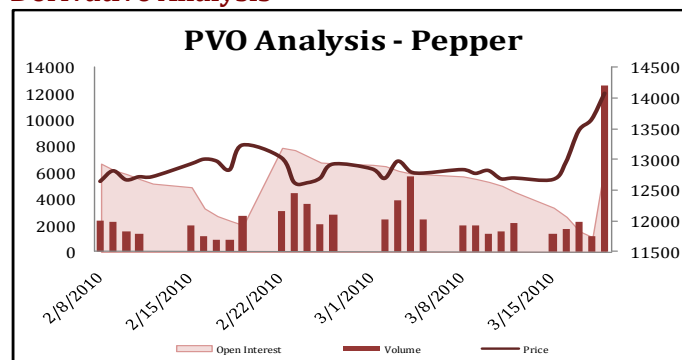
Pepper April future prices witnessed a sharp rally last week. Market is likely to see a mild lower correction before resuming its uptrend. The crucial support is at 13900 levels sustain above the same likely to trade sideways to higher in the near term. The momentum indicator RSI (14) weekly is trading at 0.52 levels and showing a high potential. Trading above the weekly short term (10,20) EMA suggesting an upside movements in the near term. We expect prices to trade higher and recommend buying.

**Recommendation:** Buy in the range 13900-950 targeting 14400 then 14600 with stop loss below 13600

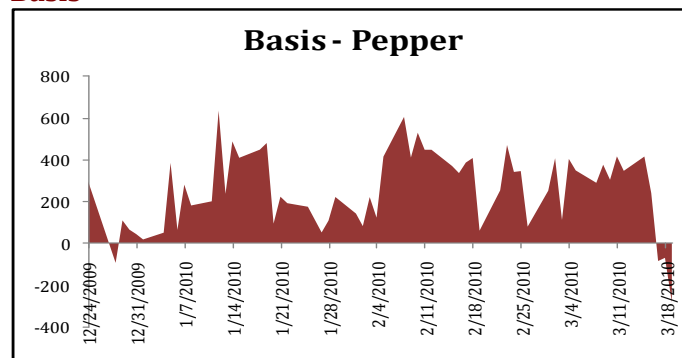
## Futures prices

Contract	Apr	May	Jun
Open	12862	13060	13300
High	14502	14758	15120
Low	12658	12900	13170
Close	14502	14758	15063
% Change	13.50	13.48	13.75
Volume	25435	38779	5736
% Change	150.84	261.00	690.08
Open Interest	7373	2076	242
% Change	77.53	-57.28	-56.79

## Derivative Analysis



## Basis



## Technical Analysis





# SPICES WEEKLY



A weekly fundamental and technical report on spices

## Jeera

Jeera futures traded on a positive note during the week ended March 20, 2010 due to fresh buying on the exchange supported by the factor of good domestic demand. However, the upside remained limited due to gaining pace of fresh arrivals to the physical markets. The gain in other spices mainly Pepper and Turmeric also supported the rise in prices. The active NCDEX April contract Jeera futures opened the week at 11100 levels and made a weekly high and low of 12170 and 10710 levels. It closed the week at 12045 levels, gaining by 8.72%. The volume for NCDEX April contract declined by 11.32% while open interest rose by 166.93%, which indicates a weak uptrend.

### Factors to watch out

- Continuity of weak export demand amid gaining pace of fresh arrivals to the physical market led to fall in prices
- Average daily arrivals is hovering in the range of 24,000-25,000 bags at the major market at Unjha
- According to market sources; overall crop production is expected to be 10-15% higher as compared to last year. Last year production was nearly 1.5 lakh tonnes
- Weather conditions have been supportive throughout the crop season and hence better yield levels are realized this year
- Cumin seed prices are expected to recover once crop estimates will be available from Syria and Turkey in April month
- Syria and Iran crop comes to market at the same time by the month of June
- According to Spices Board India latest update of 12 March 2010, international prices of Indian, Chinese and Syrian cumin for New York as basis market remained stagnant at \$3.20 per kg as compared to penultimate week
- Spot prices are hovering in the range of Rs 11,600 per quintal in the major market at Unjha, up by Rs 50 per quintal compared to last week
- Stock positions at the NCDEX accredited warehouses have gone up by 1,429 tonnes to 6,654 tonnes as per the latest update of Mar 18, 2010
- The final settlement price of March jeera futures contract expired on 19 March 2010 has been Rs.11,860 per quintal
- The quantity allocated for delivery in March 2010 expiry is 1,956 tonnes

### Outlook

Jeera futures are expected to trade sideways to higher in the coming week on account of continued buying supported by the factors of easing arrival pressure and good domestic demand.

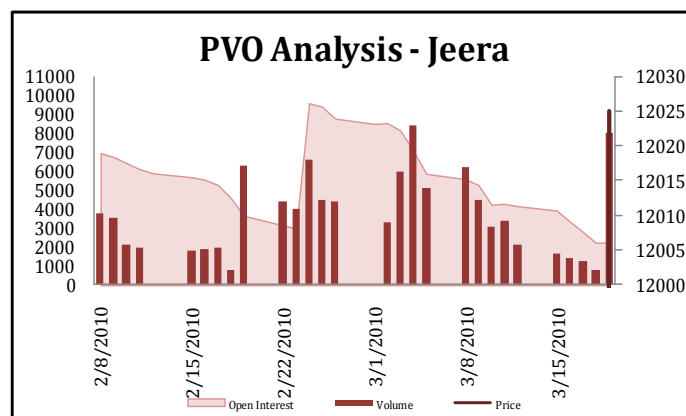
**Support:** 12640, 12400

**Resistance:** 13100, 13500

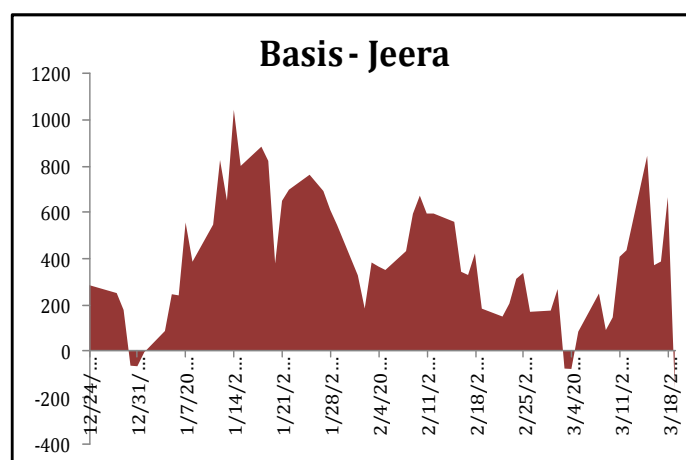
## Futures prices

Contract	Apr	May	Jun
Open	11100	11560	11800
High	12170	12415	12620
Low	10710	11425	14676
Close	12045	12311	11849
% Change	8.72	6.50	6.09
Volume	18234	44046	14676
% Change	-11.32	-15.55	71.83
Open Interest	10026	11433	7647
% Change	166.93	12.75	-97.65

## Derivative Analysis



## Basis





# SPICES WEEKLY



A weekly fundamental and technical report on spices

## Turmeric

As per expectations, Turmeric futures maintained its upward trend during the week ended March 20, 2010 due to continued fresh buying supported by the fundamental factors of good export demand and taking cues from higher spot rates. The active NCDEX April turmeric futures opened at 9706 levels and made a weekly high of 11565, higher than the previous week's high of 10038 levels. It made a weekly low of 9591, higher than the previous week's low of 8770 levels. It closed the week at 11565 levels, gaining by 19.87%. Both the volume and open interest for NCDEX April contract declined by 23.36% and 23.81% respectively, which indicates a turn to lower side.

## Factors to watch out

- ❖ NCDEX had increased the special margin on long side in Turmeric futures from 10% to 20 %, thus the total initial margin needed for long side is now 33.5%
- ❖ Rising demand amid dwindling arrivals is leading to rise in Turmeric prices
- ❖ Production for 2010 is expected around 3.85 lakh tonnes nearly 30% higher as compared to last year
- ❖ Indian consumes nearly 90% of the total production internally, so domestic demand is the major price driver
- ❖ As of now, domestic demand is on a rise for this spice and good demand is coming from North India
- ❖ Lower carry forward stocks from 2009 by 50% to nearly 1,00,000 bags of 70 kg each is also assisting the rise in prices
- ❖ According to the Spices Board latest update of 12 March 2010, the international prices for Alleppey 5.25 Curcumin for New York as basis market remained has gone upto \$3.09 per kg, compared to the penultimate week rate of \$2.82 per kg
- ❖ Spot prices have gone up by Rs.1,600 per quintal during this week to Rs 11,500 per quintal in the major market at Nizamabad, while at Erode market the spot rate has gone up by Rs.1,700 per quintal to Rs 12,500 per quintal, as compared to previous week

## Outlook

Turmeric futures are expected to trade sideways to higher this week supported by good demand amid dwindling arrivals. However, the upside might remain limited due to reports of monitoring by regulatory bodies.

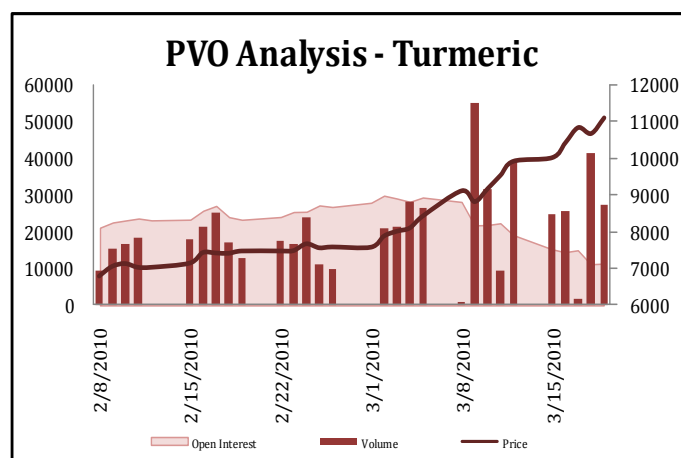
**NCDEX April Support:** 11800, 11400

**Resistance:** 12300, 12800

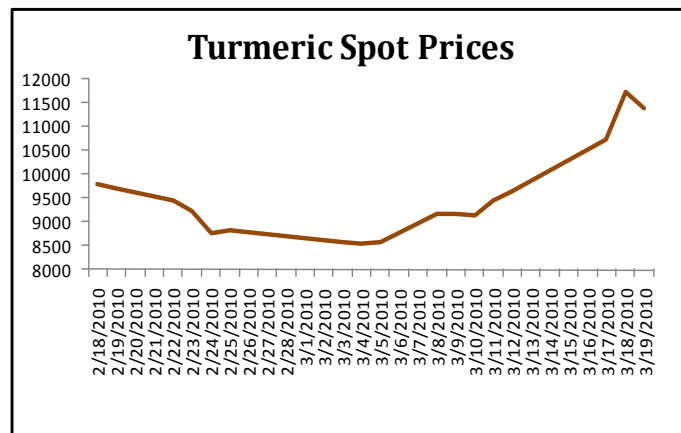
## Futures prices

Contract	April	May	June
Open	9706	9700	9530
High	11565	11266	11225
Low	9591	9460	9459
Close	11565	11266	11222
% Change	19.87	17.05	16.27
Volume	124770	113970	36040
% Change	-23.36	75.07	29.04
Open Interest	10910	9400	4280
% Change	-23.81	52.10	-0.93

## Derivative Analysis



## Basis





# SPICES WEEKLY



A weekly fundamental and technical report on spices

## Chilli

As per expectations, Chilli futures traded on a negative note during the week ended March 20, 2010 due to selling pressure on the exchange taking cues from the reports of increased arrivals to the physical market. Receding export demand amid higher crop expectations is also assisting the fall in prices. However, the fall in prices remained limited due to good domestic demand. The active NCDEX April contract opened the week at 4760 levels and made a weekly high of 4967 levels, lower than the previous week's high of 5163 levels. It made a weekly low of 4760, lower than the previous week's low of 4821 levels. It closed the week at 4816 levels, declining by 0.82%. Both the volume and open interest for NCDEX April contract declined by 22.02% and 85.90% respectively, which indicates a turn to positive side.

## Factors to watch out

- ✿ Gaining pace of fresh arrivals for this hot spice is leading to fall in prices
- ✿ Prices are expected to come under further pressure on continuity of increased arrivals to the physical market
- ✿ Average daily arrivals to the major market of Guntur improved by 100% to 100,000-120,000 bags during the week (1 bag is of 40 kg)
- ✿ There are reports of receding export demand for this hot spice which is also supportive for fall in prices
- ✿ Domestic demand is still on a rise for this hot spice, mainly from north India
- ✿ According to Spice Board latest update of 12 March 2010, the international price of INDIAN SANNM-4 (stem less) for New York as basis market remained stagnant at 2.54 US\$ per kg, compared to the penultimate week
- ✿ The spot prices have gone down by Rs 100 per quintal and is hovering in the range of Rs.4,000-4,300 per quintal in the major market at Guntur
- ✿ Stock positions at the NCDEX accredited warehouses is 762 tonnes as per the latest update of Mar 18, 2010
- ✿ The final settlement price of March chilli futures contract expired on 19 March 2010 has been Rs.4,919.75 per quintal
- ✿ The quantity allocated for delivery in March 2010 expiry is 525 tonnes

## Outlook

Chilli futures are expected to trade on a negative during the week on gaining pace of fresh arrivals to the physical market amid receding export demand.

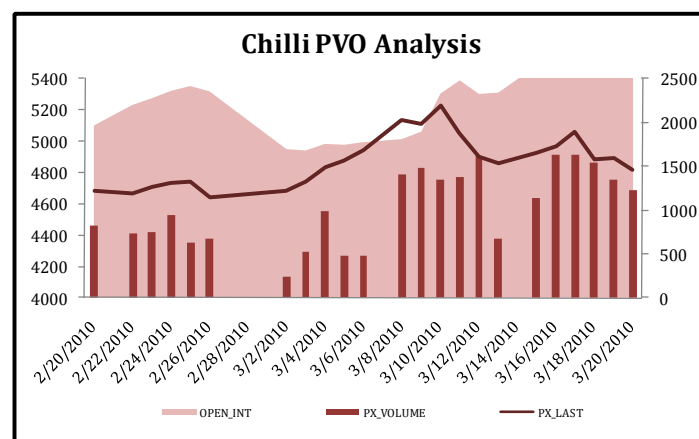
**Support:** 4950, 4590

**Resistance:** 5159, 5266

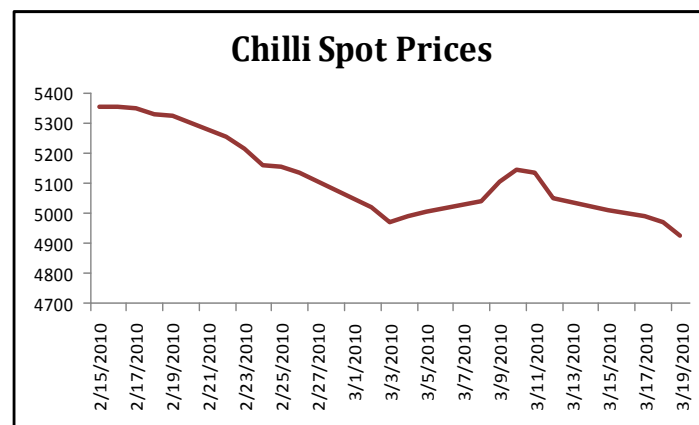
## Futures prices

Contract	Apr	Jun	Jul
Open	4760	4825	5056
High	4967	5179	5380
Low	4760	4787	5056
Close	4816	5137	5185
% Change	-0.82	5.72	0.68
Volume	4905	7585	1445
% Change	-22.02	-3.74	85.26
Open Interest	43	483	155
% Change	-85.90	-0.62	2.65

## Derivative Analysis



## Spot prices





# SPICES WEEKLY



A weekly fundamental and technical report on spices

To unsubscribe please mail us at [commodity@karvy.com](mailto:commodity@karvy.com)

## Disclaimer

The report contains the opinions of the author, which are not to be construed as investment advice. The author, directors and other employees of Karvy and its affiliates cannot be held responsible for the accuracy of the information presented herein or for the results of the positions taken based on the opinions expressed above. The above mentioned opinions are based on the information which is believed to be accurate and no assurance can be given for the accuracy of this information. There is risk of loss in trading in derivatives. The author, directors and other employees of Karvy and its affiliates cannot be held responsible for any losses in trading.

Commodity derivatives trading involve substantial risk. The valuation of underlying may fluctuate, and as a result, clients may lose entire of their original investment. In no event should the content of this research report be construed as an express or an implied promise, guarantee or implication by or from Karvy Comtrade that you will profit or that losses can or will be limited in any manner whatsoever. Past results are no indication of future performance. Information provided on this report is intended solely for informative purposes and is obtained from sources believed to be reliable. Information is in no way guaranteed. No guarantee of any kind is implied or possible where projections of future conditions are attempted.

We do not offer any sort of portfolio advisory, portfolio management or investment advisory services. The reports are only for information purpose and not to be construed as investment advices.

For Detailed disclaimer please go to following URL's:

<http://www.karvycomtrade.com/disclaimer.asp>

<http://www.karvycomtrade.com/riskDisclaimer.asp>