

19-24 April 2010

## Soybean

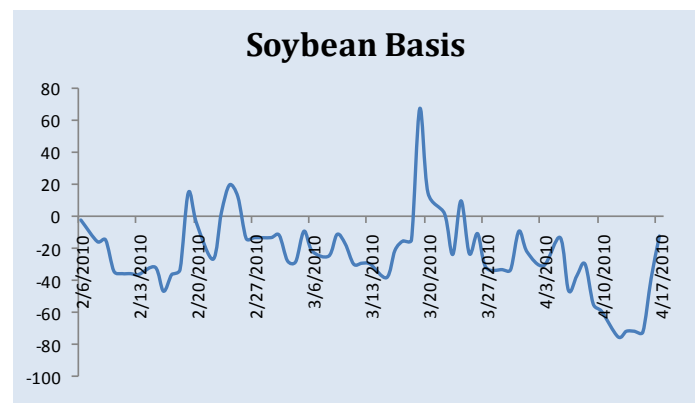
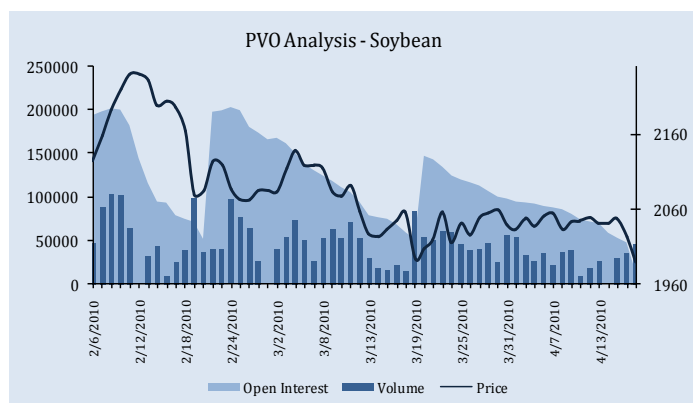
### Market Recap

The NCDEX soybean futures showed a choppy trading in first two days of last week in absence of fresh fundamental news in the market. The bearish fundamental factors such as poor export demand for soy meal and record edible oil stocks in ports as well as with traders weighed on the soybean futures prices. The Solvent Extractors' Association of India released edible oil import data for the month of March, which shows dramatic rise in soy oil import. This news acted as bearish factor for the market. Non availability of enough export orders for soy meal was also one of the reasons for fall in the prices. The South East Asian countries shifted their soy meal import requirement to Brazil and Argentina following improvement in harvesting of the crop and pick up in shipping activities in Argentina as the port workers' strike was ended. The reports of normal monsoon for Kharif 2010 was also one of the pressurizing the factor for the prices. But, in latter part of the week prices rose considerably due to short covering ahead of expiry of April contract and tracking firm overseas market. The CBOT soybean futures showed a strong rise in latter part of the week on fresh buying supported by tight old crop supplies and on uncertainty of about new planting. Slowdown in harvesting of the crop due to showers in Argentina also acted as boosting factor for CBOT soybean market. However, the sharp rise in Indian market was not seen because of weak fundamental factors. The disparity between soybean and its by-products has been in negative territory since beginning of the current season, resulting into poor crushing activity in the country. As per market sources, around 50% of the soybean has been crushed so far due to lower crush margin. The active May contract soybean futures traded in the range of Rs.1971-2024 per quintal and settled at Rs.1976 per quintal, declining by 0.35%.

### Futures

NCDEX (Rs/Quintal)									
Contract	Open	High	Low	Close	% Change	Volume	% Change	Open Interest	% Change
Apr-10	2042.00	2067.00	1986.00	1989.00	-2.69	156170	-11.41	13850	-80.83
May-10	1982.00	2024.00	1971.00	1976.00	-0.35	250310	-0.12	155910	16.49
Jun-10	1933.00	1980.00	1925.00	1939.50	0.31	91310	-18.39	92190	2.66
Jul-10	1892.00	1935.00	1888.00	1905.50	0.79	76450	-16.45	89100	0.71

### Derivatives



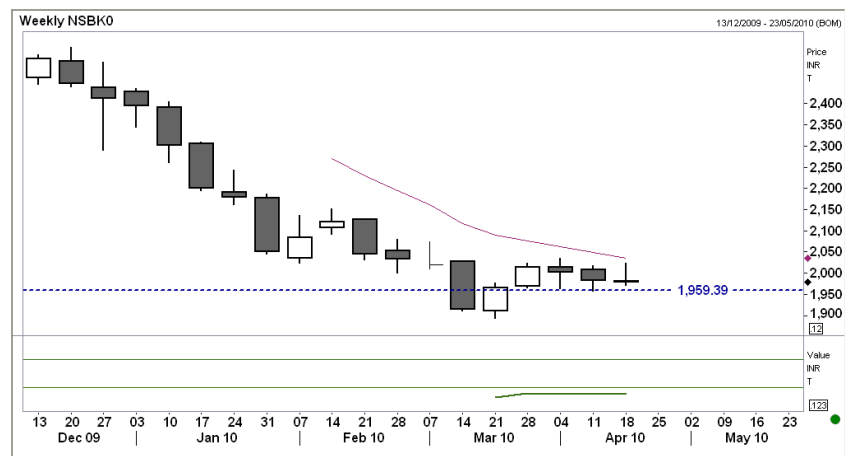
### Outlook

For the week ahead, we are expecting bearish trend to continue in soybean futures market based on bearish fundamental factors. The export demand for soy meal is likely to remain subdued because of higher price of Indian origin compared to other countries. In March, soy meal exports from India fell 27.14% to 163,666 tonnes against 224,639 tonnes in the same period last year. During FY 2009-10, the oil meal exports were 3,224,787 tonnes, down by 40.52% 5,421,607 tonnes in the same period last year. This figure was lowest in last 5-years. The major reason for decline in exports was lower crushing and lower production in Kharif 2009. The India's soybean production in 2009-10

stood at 85 lakh tonnes against 89 lakh tonnes. The major reason for the decline in exports was higher prices of Indian soy meal compared to other countries—especially Brazil and Argentina. The harvesting of the soybean crop in Brazil and Argentina is progressing well and these countries are offering soy meal at much lower levels. Indian soy meal is quoting around \$365-370 per tonne while Brazil and Argentina are offering at \$369 and \$350 per tonne, respectively. Factors like huge inventory of edible oils in the domestic market, further rise in imports due to lower international prices and zero import duty are likely to weigh on the prices. Crushers are still away from the market because of disparity between the prices of soybean and its by-products. The Indian Meteorological Department will be releasing 2010 monsoon forecast report on 20<sup>th</sup> April 2010. This report will give clear direction to the market. The international weather organizations have projected normal monsoon for India. According to the Solvent Extractors' Association of India, the country is having a stock of 4.5 million tonnes as on 1<sup>st</sup> April 2010.

## Technical analysis

Soybean May future prices initially traded higher and after making a high of 2024 it settled at 1976 levels. However, market is witnessing a crucial support at 1958 levels on breach and sustain below the same likely to extend its drop till 1900 then 1860 levels. Market is trading in a consolidation phase and moving in the band of 2036-1958 levels. Either side break out would confirm the trend. Initial bias remains on downside and recommend selling below 1958 levels. Trading below weekly short term (10, 20) EMA is also suggesting prices to limit the gains in the near term.



**Recommendation:** Soybean- May- NCDEX: Sell below 1958 targeting 1900, 1890 with stop loss above 2000

## Spread Matrix

Spread Matrix				
	Apr-10	May-10	Jun-10	Jul-10
Apr-10	0			
May-10	-13	0		
Jun-10	-49.5	-36.5	0	
Jul-10	-83.5	-70.5	-34	0

## Pivot table

	Contract	S2	S1	PREV CLOSE	R1	R2
NCDEX Soybean	Apr-10	1933	1961	1989	2042	2095
	May-10	1937	1957	1976	2010	2043
	Jun-10	1893	1916	1940	1971	2003
	Jul-10	1863	1884	1906	1931	1957
	Aug-10	1856	1873	1890	1910	1930

## Refined Soy Oil

The refined soy oil futures on Indian bourses showed a see-saw movement last week wherein prices moved up on account of short covering and taking cues from firm overseas market. Speculative-led buying at lower levels also resulted into positive trend in early part of the week. However, on Tuesday prices fell drastically after release of edible oil import data. But, the positive sentiment seen in international market supported the Indian market to recover in mid of the week. Nevertheless, in later part of the week prices failed to maintain its uptrend as the bearish domestic fundamental factors exerted pressure on the market and prices pared earlier gains. The spot market remained subdued with weak demand from the local traders. Huge inventory level of edible oil in Indian market has been pressurizing the prices for a long time. Since there was no revision in import duty as expected by the industry the imports rose considerably in the month of March. The most active May contract refined soy oil futures traded in the range of Rs.44.55-453.50 per 10 kg during the week and settled at Rs.447.90 per 10 kg, declining by 0.27%.

NCDEX (Rs/10 Kg)									
Contract	Open	High	Low	Close	% Change	Volume	% Change	Open Interest	% Change
Apr-10	448.80	451.90	445.00	445.00	-0.86	68050	-33.11	48730	-16.57
May-10	448.50	453.50	447.55	447.90	-0.27	189730	-7.93	97200	-1.54

## Outlook

The refined soy oil futures are expected to trade on a negative note during the week ahead on account of fresh selling backed by weak fundamental factors. Huge inventory of edible oil in ports and with crushers is likely to have a bearish impact on the prices. Since the Indian government did not revise the import duty on edible oil, it will lead to huge imports in the current year. As per data released by the Solvent Extractors' Association of India, edible oil import in March 2010 was 612,293 tonnes against 609,553 tonnes in the same period last year but lower from previous month's figure of 671,293 tonnes. Soy oil imports in March 2010 surged dramatically to 145,996 tonnes against 46,346 tonnes in the same period last year and 88,258 tonnes in February 2010. The edible oil stock at ports has been estimated at 700,000-800,000 tonnes as on 1st April 2010. The demand for edible oil normally declines during the summer months, and it is expected to repeat this year also. SEA also said that the edible oil imports in the current edible oil year (Nov 2009-Oct 2010) is likely to be at record high of around 9.5 million tonnes, against 8.6 million tonnes recorded last year. Though international edible oil prices are showing positive movement, India may not follow the suit because of bearish fundamental factors. Hence, the market will remain under pressure in the week ahead.

## Pivot table

	Contract	S2	S1	PREV CLOSE	R1	R2
NCDEX Soy Oil	Apr-10	440	443	445.00	450	454
	May-10	444	446	447.90	452	456
	Jun-10	445	447	449.05	453	456

## CBOT: Soybean

The positive trend started in penultimate week in CBOT soybean market advanced for the second consecutive week. In last week, the prices surged sharply to 3-month high on strong buying interest based on bullish fundamental factors such as tight old crop ending stock and on uncertainty over new planting. Traders bought futures anticipation silt in demand to US from South America following harvest and shipping delays due to rain in the region. The positive trend in crude oil market in early part of the week added bullish sentiment to the market. The active May contract soybean futures on CBOT made a weekly high of \$9.89 <sup>3</sup>/<sub>4</sub> per bushel from a low of \$9.52 <sup>3</sup>/<sub>4</sub> per bushel and settled at \$9.85.1/4 per bushel.

Commodity	Contract	Open	High	Low	Close	% Change
	May-10	954.50	989.75	952.75	985.25	3.47
Soybean	Jul-10	962.50	999.00	962.50	995.00	3.43
(Cents/bu)	Aug-10	964.00	994.00	956.00	990.75	3.50

## Outlook

This week, the CBOT soybean futures are expected to advance its gains on continued buying from the traders based on strong fundamental factors like tight old crop supplies and on uncertainty about 2010 soybean planting in US. The harvesting of soybean in Brazil and Argentina is very slow because of unfavourable weather condition. According to Safras and Mercado, Brazilian farmers harvested 87% of their crop as on April 16, 2010 and Argentina farmers harvested 28% of the crop. According to USDA, during April 2-8, soybean exports from the US were around 158,000 tonnes. The US prospective planting report showed that the US soybean farmers are intended to raise their soybean planting by 65,000 acres to 78.1 million acres in 2010. Last year, total planted area was 77.45 million acres. The weather is looking normal next week, which will support sowing activity in key soybean growing areas of US.

## CFTC

CFTC Report - 13 Apr 2010								
	Futures Commitment	Change	F&O Commitment	Change	Futures Trader	Change	F&O Traders	Change
Non Commercial								
Long	106053	11196	106559	14491	133	18	163	19
Short	76825	-9811	67124	-14457	135	-11	136	-12
Spreading	65838	-1349	158822	9873	156	6	201	1
Commercial								
Long	255344	-1349	280942	-7233	94	0	112	0
Short	225846	18247	255348	20020	150	3	157	3
Non Reportable								
Long	42907	250	48746	-211				
Short	101633	1661	113774	1483				

## RM seed

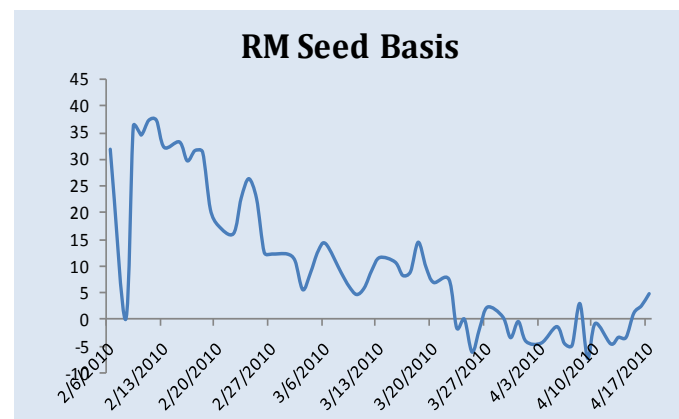
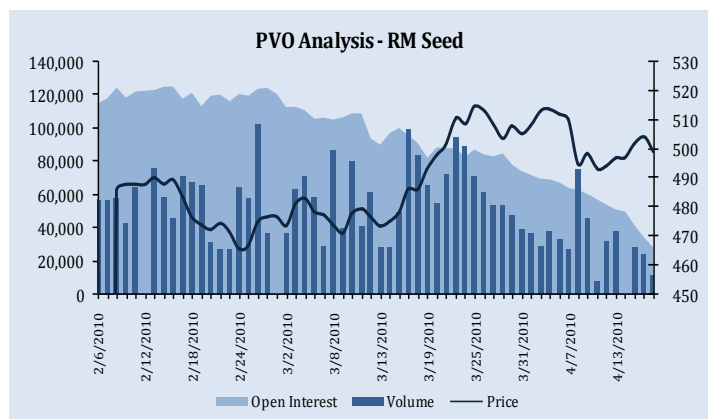
### Market Recap

The rapeseed/mustard seed staged a strong rally last week rebounding from penultimate week's decline due to short covering and on rolling over of positions ahead of expiry of April contract. Speculative driven buying was also seen during the week. The recovery in the soy complex market also supported positive trend in mustard seed futures market. The stockists buying in the spot market provided underlying support to the futures market. Lower-than-expected arrival of the produce to the spot market prompted stockists to procure from the spot market resulting into improvement in the spot prices. But, on last day of the week, prices witnessed a smart correction as the investors and traders liquidated their long positions. The most active May contract mustard seed futures made a weekly high of Rs.514.80 per 20 kg from a low of Rs.494.10 per 20 kg and settled at Rs.506 per 20 kg with a positive change of 1.59%.

### NCDEX futures

NCDEX (Rs/20 Kg)									
Contract	Open	High	Low	Close	% Change	Volume	% Change	Open Interest	% Change
Apr-10	493.00	508.30	488.50	499.05	1.17	132880	-45.44	25350	-50.58
May-10	498.00	514.80	494.10	506.00	1.59	499670	-17.24	101280	-7.05
Jun-10	503.50	520.70	500.80	512.75	1.57	93910	-25.70	62050	19.67

### Derivatives



### Outlook

During the week ahead, mustard seed futures are expected to take a smart correction initially as the investors and traders are likely to liquidate their long positions ahead of expiry of April contract. But, later it might go up on emergence of fresh buying supported by lower-than-expected arrivals. Lower production estimates for the current year is likely to push up the price in later part of the week. The SEA rapeseed-mustard crop survey team has estimated India's mustard seed crop to be at around 59.20 lakh tonnes against 62 lakh tonnes produced last year. According to central government, the mustard seed is cultivated in an area of 6.49 million hectares, down 3% from 6.69 million tonnes planted last year. According to the Solvent Extractors' Association of India, the country is having a stock of 6 lakh tonnes as on 1<sup>st</sup> April 2010.

## Technical analysis Spread Matrix

Spread Matrix			
	Apr-10	May-10	Jun-10
Apr-10	0		
May-10	6.95	0	
Jun-10	13.7	6.75	0

The mustard seed market has turned into contango and the difference between April and May widened to 6.95 levels from 4.25 levels recorded last week. The difference between May and June widened to 6.75 from 3.3 a week ago.

## Pivot Table

	Contract	S2	S1	PREV CLOSE	R1	R2
RM Seed	Apr-10	479	489	499.05	509	518
	May-10	484	495	506.00	516	526
	Jun-10	492	502	512.75	522	531

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