



# SPICES WEEKLY



A weekly fundamental and technical report on spices

10 May 2010

## Pepper

Pepper futures traded on a negative note during the week ended May 08, 2010 due to continued selling pressure on the exchange platform. The lacklustre buying activity in both the local and international markets also assisted the fall in prices. Investors have turned cautious due to increased volatility in prices. The active NCDEX May pepper futures opened the week at 16702 levels and made a weekly high and low of 17178 and 15870 levels. It settled the week at 16204 levels, declining by 3.00%. Both the volume and open interest for NCDEX May contract declined by 15.69% and 58.54% respectively, which indicates a turn to positive side.

### Factors to watch out

- ❖ In the international market Indian origin black pepper has gone upto \$3,725-3,825 per tonne (fob), Indonesia Asta is up at \$3,600 per tonne (fob), Vietnam Asta is at \$3,630 per tonne (fob), Brazil Asta is at \$3,600 per tonne (fob)
- ❖ There has been a constant rise in pepper rates from major producing countries like Vietnam and Brazil during last week
- ❖ Although, according to market sources, there has not been any apparent reason behind the rise in prices by these countries
- ❖ Gradually India is turning into a net importer of pepper rather than being an exporter
- ❖ According to market sources, exports have been 17,366 tonnes through the Kochi port in 2009-10 while imports stood at 16,517 tonnes through the same port. However in 2008-09 imports stood at 10,800 tonnes as against the shipping out of 25,350 tonnes
- ❖ Supplies are still slow from Vietnam due to USFDA investigations of pepper processing units in that country
- ❖ India domestic demand is on a rise, which can support the rise in prices
- ❖ Spot rate at the major market of Cochin has been hovering around Rs 16,000-16,200 per quintal for garbled pepper MG-1 and Rs.15,400-15,700 per quintal for ungarbled pepper
- ❖ Stock positions at the NCDEX accredited warehouses have been 2587 tonnes as per the latest update of 07 may 2010

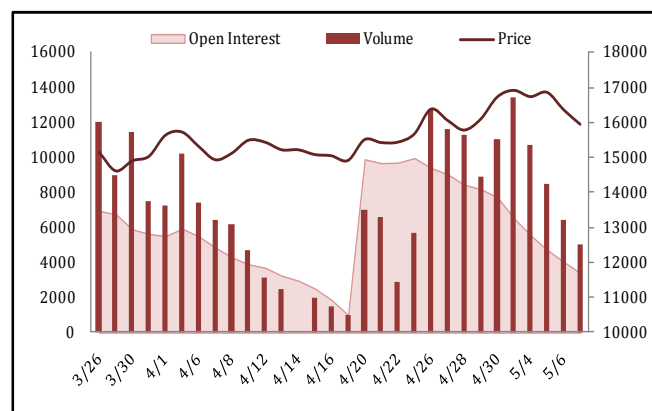
### Outlook

Pepper futures are expected to trade on a positive note for the week taking cues from the limited supplies in the international market and gradual rise in the prices of all the major pepper producing countries.

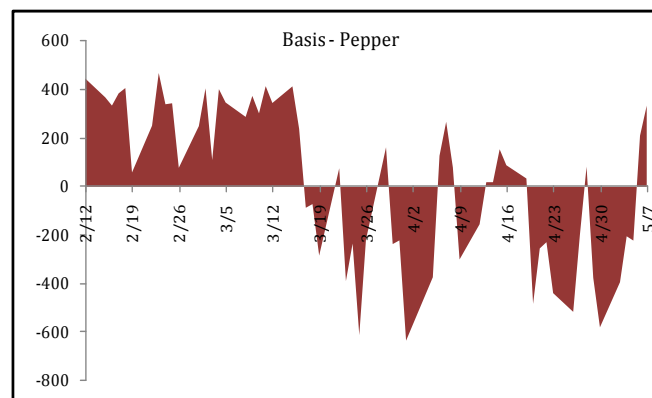
### Futures prices

Contract	May	June	July
Open	16702	17085	17170
High	17178	17570	17800
Low	15870	16300	16576
Close	16204	16630	16891
% Change	-3.00	-2.27	-2.10
Volume	46893	60718	1794
% Change	-15.69	132.73	63.39
Open Interest	3210	11658	588
% Change	-58.54	98.91	37.06

### Derivative Analysis



### Basis



NCDEX	S2	S1	R1	R2
May	15300	15800	16200	16600



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## Jeera

Jeera futures traded on a negative note during the week ended May 08, 2010 due to continued profit taking on the exchange platform. Sustained arrivals to physical markets also assisted the fall in prices. However, export demand coming from Middle East countries acted as a limiting factor for sharp fall in prices. The active NCDEX May contract Jeera futures opened the week at 12770 levels and made a weekly high and low of 13055 and 12299 levels. It closed the week at 12605 levels, declining by 1.55%. Both the volume and open interest for NCDEX May contract declined by 43.88% and 34.74% respectively, which indicates a turn to positive side

### Factors to watch out

- According to market sources, the arrival pressure from Rajasthan is gradually declining
- Almost 80 percent of the stock from Rajasthan has been traded in the market by this time
- Now, the stock coming to the market is mainly of Gujarat jeera growing areas
- Overseas demand coming from Middle East countries is supportive for rise in prices
- Domestic demand is also on a rise for this rabi season spice and good demand is coming from upcountry traders
- Fresh arrivals are decreasing to the physical markets as the peak arrival season is approaching its end
- Arrivals have come down to 10,000-11,000 bags of 60 per day from 15,000-18,000 bags per day a few weeks earlier
- According to markets sources, crop sowing is in progress in Syria and Turkey and crop estimates are expected to be available by the first week of June
- Crop reports of Syria and Turkey will give a fresh direction to prices
- Spot price has been hovering in the range of Rs.12,400-12,900 per quintal in the major market at Unjha
- Stock positions at the NCDEX accredited warehouses have been 7126 tonnes as per the latest update of 07 May 2010

### Outlook

Jeera futures are expected to trade higher for the week supported by the factor of good domestic and export demand amid decreasing arrivals.

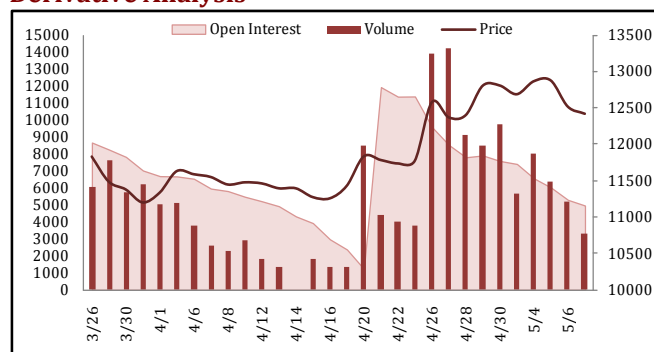
### Technical outlook

Jeera May futures prices traded extremely volatile in the last week. Closing of the previous week's candle renders indecisive movements for the coming week. However, on the lower side crucial support is at 12200 levels sustain above expected to push the prices on higher note. Trading above the weekly short term (10, 20) EMA suggesting an upside movements to be continued in the near term. We expect jeera prices to trade higher and recommend buying near support levels. However, if market breaches the support at 12200 levels possible to reverse the trend. **Recommendation:** Buy in the range 12250-300 targeting 12700 with stop loss below 12100 levels.

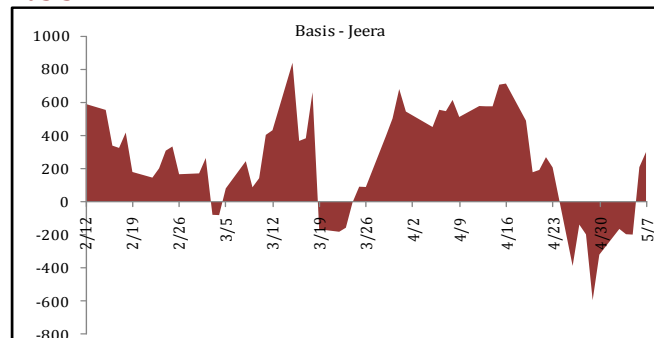
### Futures prices

Contract	May	June	July
Open	12770	12950	13190
High	13055	13250	13500
Low	12299	12500	6912
Close	12605	12815	13220
% Change	-1.55	-1.35	-1.01
Volume	31068	42516	6912
% Change	-43.88	-4.48	3.55
Open Interest	4947	17004	5484
% Change	-34.74	2.26	41.79

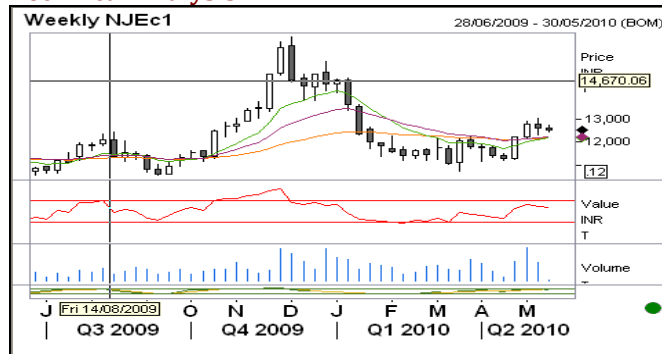
### Derivative Analysis



### Basis



### Technical Analysis



NCDEX	S2	S1	R1	R2
May	11850	12200	12900	13200



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## Turmeric

As per expectations, Turmeric futures traded on a positive note during the week ended May 08, 2010 supported by the fundamental factors of good domestic and export demand. Decreasing arrivals to the physical markets amid active buying by upcountry traders has led to a sharp rise in prices. The active NCDEX May turmeric futures opened at 15184 levels and made a weekly high and low of 15905 and 14750 levels. It closed the week at 15380 levels, gaining by 3.32%. Both the volume and open interest for NCDEX May contract declined by 14.75% and 36.50% respectively, which indicates a turn to lower side.

### Factors to watch out

- ❖ According to market sources, domestic demand is on a decline with constant rise in prices
- ❖ Investors have turned cautious looking at the high volatility in turmeric prices
- ❖ Demand from upcountry traders remained lack lustre during last week
- ❖ Export demand is also on a gradual decline, which can result in some cooling effect on prices
- ❖ Arrivals are decreasing as the peak arrival season is approaching its end
- ❖ India is the largest producer, consumer and exporter of Turmeric in the world and exports nearly 15% of the total production
- ❖ According to market sources, the total supply for 2010 has been estimated at around 3.92 lakh tonnes while the demand for the year has been estimated nearly 4 lakh tonnes, which indicates stock shortage. The concerns of stock shortage is also assisting the rise in prices
- ❖ Spot rate at the major market of Nizamabad has gone upto Rs.15,000-15,300 per quintal while spot rate at Erode has been Rs.15,800-16,000 per quintal

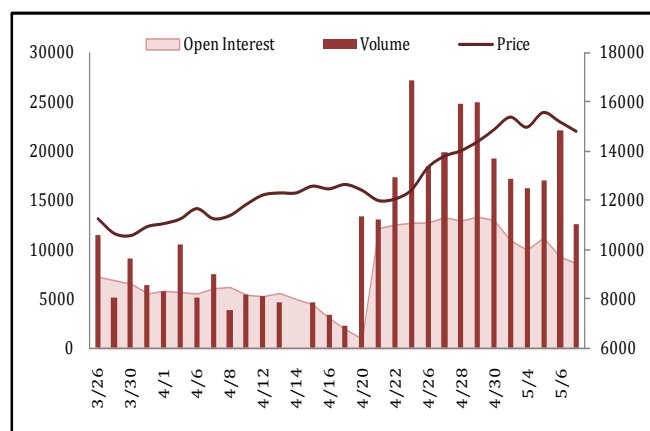
### Outlook

Turmeric futures are expected to trade sideways with a negative bias for the week supported by the factor of receding export demand. However, the downside might remain limited due to easing arrival pressure.

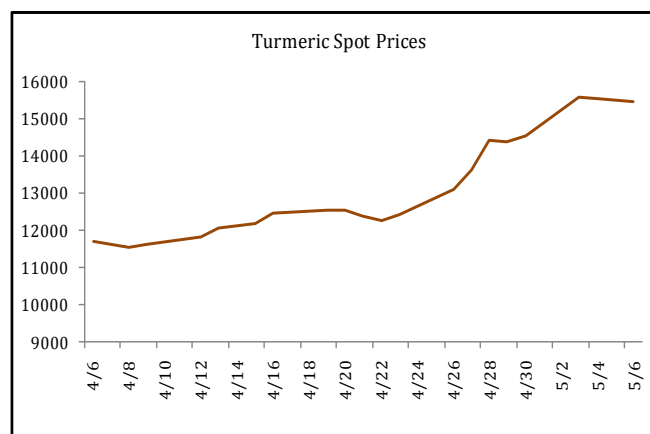
### Futures prices

Contract	May	June	July
Open	15184	14990	14700
High	15905	15498	15207
Low	14750	14530	14402
Close	15380	15259	15064
% Change	3.32	3.80	3.26
Volume	91550	54430	5050
% Change	-14.75	0.11	-25.07
Open Interest	8280	8160	1780
% Change	-36.50	-16.14	10.56

### Derivative Analysis



### Basis



NCDEX	S2	S1	R1	R2
May	14200	14630	15200	15600



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## Chilli

As per expectations, Chilli futures traded on a negative note during the week ended May 08, 2010 weighed by the factors of sustained arrivals and decreasing quality of stocks. The fundamental factor of higher production expectations also supported the fall in prices. The active NCDEX June contract opened the week at 4501 levels and made a weekly high and low of 4559 and 4390 levels. It closed the week at 4467 levels, declining by 1.41%. Both the volume and open interest for NCDEX June contract declined by 27.01% and 85.90% respectively, which indicates a turn to positive side.

## Factors to watch out

- ❖ The major market at Guntur is closed for one month from 08 May 2010 till 07 June 2010, due increasing mercury levels
- ❖ According to market sources, despite the increase in the number of cold storages in Guntur district, all the cold storages are almost full to their capacity this year
- ❖ According to market sources, nearly 65-70 lakh bags have been stored in the cold storages in this area
- ❖ Higher production for this year has resulted into bumper stocks in the cold storages
- ❖ Lower chinese crop has been the major support for Indian chilli, which will act as a limiting factor for fall in prices
- ❖ According to market sources, China chilli crop is reported lower by 50% this year and hence good export demand is coming for Indian Chilli
- ❖ The spot prices has been hovering in the range of Rs.3,600-4,000 per quintal in the major market at Guntur
- ❖ Stock positions at the NCDEX accredited warehouses have been around 3951 tonnes as per the latest update of 07 May 2010

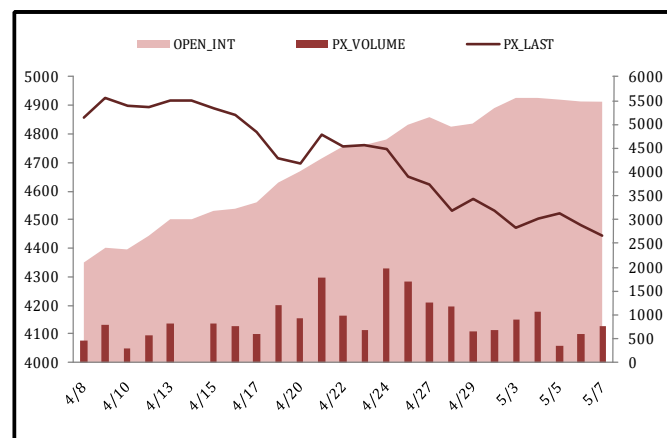
## Outlook

Chilli futures are expected to trade sideways to lower for the week in absence of cues from the spot market. The spot market at Guntur is closed for now.

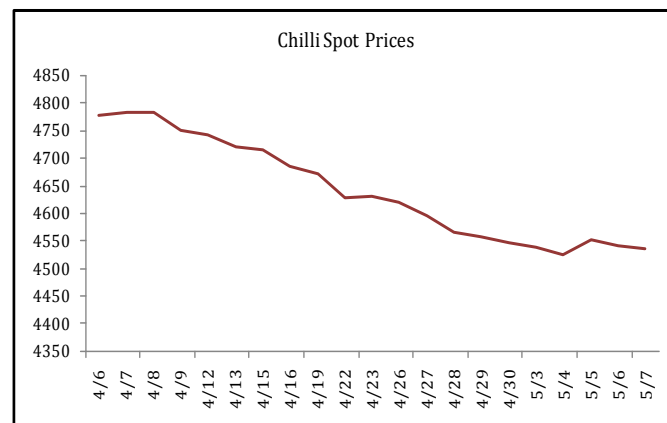
## Futures prices

Contract	Jun	Jul	Aug
Open	4501	4619	4779
High	4559	4678	4799
Low	4390	4536	4693
Close	4467	4601	4738
% Change	-1.41	-1.56	-0.88
Volume	4000	1315	75
% Change	-27.01	26.44	-44.44
Open Interest	43	483	155
% Change	-85.90	-0.62	2.65

## Derivative Analysis



## Spot prices



NCDEX	S2	S1	R1	R2
May	4300	4390	4510	4590



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