Oil and Oilseeds Weekly

KARVY COMTRADE LIMITED

24-29 May 2010

Soybean

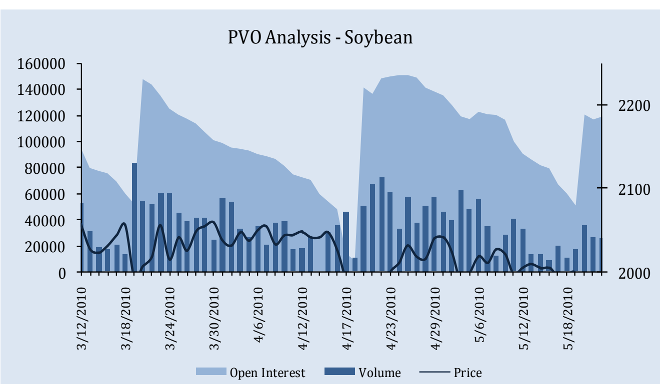
Market Recap

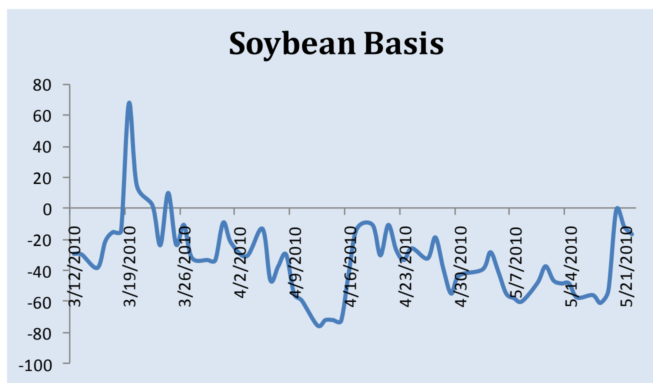
During early part of last week, the soybean futures on the NCDEX traded weak on extended selling pressure backed weak fundamental factors. But, from Wednesday onwards the prices started moving higher on account of short covering ahead of expiry of May contract. Fresh buying was also seen during later part of the week on speculation that demand might revive in the near-term. Moreover, positive trend in the soy oil market also supported the upward movement in the soybean futures. However, spot market remained subdued during the week due to lack of buying interest from the crushers. Due to poor crush margin, most of the crushers were away from active buying amid lower supplies. However, the rise was capped by the bearish fundamental factors such as higher inventory of edible oil and oilseeds and poor export demand for oil meal from India. The active June contract soybean futures traded in the range of Rs.1933-1992 per quintal and settled at Rs.1981.50 per quintal.

Futures

NCDEX (Rs/Quintal)									
Contract	Open	High	Low	Close	% Change	Volume	% Change	Open Interest	% Change
Jun-10	1998.00	2006.00	1964.00	1981.50	-1.17	136500	2.13	118830	-8.93
Jul-10	1959.00	1979.00	1929.50	1942.50	-0.99	173990	6.06	135790	3.49
Aug-10	1911.00	1937.50	1893.50	1926.00	0.71	85990	-28.75	45250	10.47
Sep-10	1882.00	1915.00	1870.00	1904.00	0.95	24420	-22.72	10120	8.12

Derivatives





Outlook

The soybean futures are expected to advance its positive trend during the week ahead on follow through buying in the futures market. Inventors and traders are likely to buy futures anticipating revival in demand for soybeans. Improvement in demand for edible oil ahead of festivals and marriages is likely to drive the soybean prices. A stockist buying is likely to take place ahead of new season. Market participants are anticipating resumption of export demand for Indian soy meal after June, hence, stockists are stocking the goods. Oil meal exports till April is showing a declining trend compared to the same period last year because of shift in demand to Latin American countries. However, higher stock of oilseeds is likely to weigh on the market. The Solvent Extractors' Association of India ahs estimated India's uncrushed oilseeds stock at 14.5 million tonnes as on 1st May 2010. The progress of monsoon has to be monitored closely as it would have a large impact on sowing of the soybeans for the upcoming season. As of now, IMD has projected normal monsoon for the season. However, its progress and rainfall distribution needs to be watched in the days ahead.

Spread Matrix

Spread Matrix				
	Jun-10	Jul-10	Aug-10	Sep-10
Jun-10	0			
Jul-10	-39	0		
Aug-10	-55.5	-16.5	0	
Sep-10	-77.5	-38.5	-22	0

Pivot table

	Contract	S2	S1	PREV CLOSE	R1	R2
NCDEX Soybean	Jun-10	1942	1962	1982	2004	2026
	Jul-10	1901	1922	1943	1971	2000
	Aug-10	1875	1901	1926	1945	1963
	Sep-10	1851	1878	1904	1923	1941
	Oct-10	1829	1853	1878	1898	1918

Refined Soy Oil

The most active June contract refined soy oil futures made a new contract low on first day of last week extending its penultimate week's fall based on bearish fundamental factors and tracking weak global market. But, starting from Tuesday, prices started moving up on short covering. The positive trend remained intact throughout the week as the fresh buying at lower level also pushed up the prices. Spot market witnessed a good demand ahead of festivals and marriages thereby supported the futures market as well. The firmness in international edible oil market especially Malaysian market supported the positive sentiment in Indian market. Positive palm oil export data from Malaysia supported the MDEX palm oil futures to trade higher during the week. The most active June contract refined soy oil futures made a weekly high of Rs.454.45 per 10 kg from a low of Rs.440.40 per 10 kg and settled at Rs.453 per 10 kg, gaining by 2.33$ W/W.

NCDEX (Rs/10 Kg)									
Contract	Open	High	Low	Close	% Change	Volume	% Change	Open Interest	% Change
Jun-10	441.10	454.50	440.40	453.00	2.33	125300	82.71	66580	-37.25
Jul-10	442.10	455.90	440.40	454.85	2.51	228870	10.52	93880	41.60

Outlook

The refined soy oil futures are expected to take a smart correction during early part of next week on account of profit taking on the recent rally. But, later market might resume uptrend following emergence of fresh buying supported by good demand in the market. Retail demand for edible oil ahead of festivals and marriages is likely to support the soy oil prices to trade higher during the week. Market might ignore the fact of higher inventory at ports and in pipeline for the time being. India's edible oil stocks at ports are estimated at 575,000 tonnes as on May 1 and 650,000 tonnes is in pipeline. SEA 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 8.18 million tonnes recorded last year.

Pivot table

	Contract	S2	S1	PREV CLOSE	R1	R2
NCDEX Soy Oil	Jun-10	435	444	453.00	458	463
	Jul-10	435	445	454.85	460	466
	Aug-10	436	446	455.80	461	467

Spot price

Date	Soy Oil Ex Factory Indore (Rs/Tonne)	Soy Oil Spot Indore (Rs/Tonne)	Soy Oil Refined (Rs/Tonne)	Soy Oil Degum Spot Ex-Mumbai (Rs/Tonne)	Soy Oil Crude Ready Mumbai (Rs/Tonne)	Soy Oil Solvent Crude Indore (Rs/Tonne)	CIF Mumbai Soy Oil Degum ($/Tonne)
5/14/2010	41000	40000	41800	39000	39500	40600	836
5/17/2010	41000	40100	41000	38700	39000	40400	833
5/18/2010	41000	39800	41800	39000	38600	40100	840
5/19/2010	41000	40000	41800	39100	38500	39800	838
5/20/2010	41000	40200	42000	39700	39200	40200	842
5/21/2010	41200	40600	41500	40000	39500	40600	840

CBOT: Soybean

The CBOT soybean futures tumbled for fourth week in a row on bearish fundamental factors. The market was in a consolidation phase during the week. However, the bias was towards bearish side as the underlying fundamental factors were weak for the market. The fall in crude oil prices and improvement in sowing activity across Delta region of US weighed on the market. Completion of harvesting in Brazil and near-ending in Argentina were also the pressurizing factors during the week. The active July contract soybean futures traded in the range of $9.55-9.31 per bushel and settled at $9.41 per bushel.

Commodity	Contract	Open	High	Low	Close	% Change
	Jul-10	954.00	955.00	931.00	941.00	-0.74
Soybean	Aug-10	947.75	948.50	921.75	933.25	-2.12
(Cents/bu)	Sep-10	931.50	931.50	903.50	915.25	-3.40

Outlook

The CBOT soybean futures are expected to extend its bearishness during the week ahead based on weak fundamental factors. Improvement in sowing activity following favourable weather condition in Midwest region is likely to weigh on the prices. The harvesting of soybean is over in Brazil and Argentina is close to end its harvesting. The production in Latin America is projected higher during the current season. In May month World Agriculture Supply and Demand Estimates Report, the United States Department of Agriculture trimmed the US soybean production forecast by 49 million bushels to 3.3 billion bushels on lower yield level. Yield is projected at 42.9 bushels per acre, down 1.1 bushels from last year. The sowing for 2010 is progressing well and weather conditions are favouring for further sowing in the week ahead. As per data available from National Agriculture Statistics Service division of USDA, around 38% of the soybean planting has been done as on 16th May 2010, which is up from 23% in the same period last year.

CFTC

CFTC Report - 11 May 2010								
	Futures Commitment	Change	F&O Commitment	Change	Futures Trader	Change	F&O Traders	Change
	Non Commercial							
Long	111737	-15772	105468	-20977	140	-1	156	-1
Short	64412	3851	65686	6667	127	-6	140	0
Spreading	61279	8118	152556	3659	124	-12	177	-7
	Commercial							
Long	245883	8118	285183	13981	90	8	114	6
Short	238414	-13639	265021	-15428	164	-5	173	-1
	Non Reportable							
Long	41106	-6280	47235	-6428				
Short	95900	-4146	107179	-4663				

WASDE Report (Million Metric Tons)

Region	Supply: Beginning stocks	Supply: Production	Supply: Imports	Use: Domestic Crush	Use: Domestic Total	Use: Exports	Ending stocks
2008/09							
World 2/	52.87	211.96	77.20	193.81	221.82	77.18	43.04
United States	5.58	80.75	0.36	45.23	48.00	34.93	3.76
Total foreign	47.29	131.22	76.84	148.58	173.81	42.26	39.27
Major exporters 3/	40.81	93.80	1.34	65.26	69.81	38.07	28.08
Argentina	21.76	32.00	1.29	31.24	32.82	5.59	16.63
Brazil	18.90	57.80	0.04	32.51	35.36	29.99	11.40
Major importers 4/	5.61	17.58	64.50	61.66	77.19	0.45	10.05
China	4.25	15.54	41.10	41.04	51.44	0.40	9.05
EU-27	0.81	0.64	13.21	12.86	14.09	0.02	0.56
Japan	0.27	0.26	3.40	2.50	3.75	0.00	0.18
Mexico	0.06	0.15	3.33	3.47	3.50	0.00	0.04
2009/10 (Estimated)							
World 2/	43.04	258.00	83.23	205.32	235.11	85.39	63.76
United States	3.76	91.42	0.41	47.22	50.83	39.60	5.16
Total foreign	39.27	166.58	82.82	158.10	184.29	45.79	58.60
Major exporters 3/	28.08	129.20	0.20	67.88	72.54	41.25	43.68
Argentina	16.63	54.00	0.00	34.83	36.46	7.50	26.67
Brazil	11.40	68.00	0.19	31.50	34.40	28.35	16.83
Major importers 4/	10.05	16.67	69.86	67.75	83.70	0.31	12.56
China	9.05	14.50	46.00	47.28	57.81	0.25	11.49
EU-27	0.56	0.86	13.00	12.50	13.77	0.03	0.62
Japan	0.18	0.23	3.60	2.53	3.83	0.00	0.18
Mexico	0.04	0.11	3.45	3.51	3.55	0.00	0.05
2010/11 (Projected)							
World 2/ May	63.76	250.13	86.46	215.31	246.35	87.92	66.09
United States May	5.16	90.08	0.27	44.63	48.84	36.74	9.94
Total foreign May	58.60	160.05	86.19	170.68	197.51	51.18	56.15
Major exporters 3/ May	43.68	121.50	0.19	73.00	77.80	46.24	41.34
Argentina May	26.67	50.00	0.00	38.65	40.32	12.50	23.85
Brazil May	16.83	65.00	0.18	32.80	35.80	28.90	17.31
Major importers 4/ May	12.56	17.51	72.89	73.30	89.64	0.52	12.80
China May	11.49	15.20	49.00	52.70	63.52	0.45	11.72
EU-27 May	0.62	1.00	12.60	12.40	13.62	0.03	0.57
Japan May	0.18	0.23	3.60	2.53	3.83	0.00	0.17
Mexico May	0.05	0.11	3.50	3.57	3.61	0.00	0.05

Source: ERS, USDA

Sowing progress

Soybeans: Percent Planted, Selected States 1/

State	May 16, 2010	May 9, 2010	May 16, 2009	2005-2009 Avg.
	Percent			
AR	51	41	26	42
IL	42	33	1	36
IN	46	35	5	35
IA	53	44	38	40
KS	25	15	13	21
KY	28	11	3	22
LA	58	52	70	69
MI	36	35	14	40
MN	47	40	49	38
MS	85	75	72	84
MO	18	14	8	24
NE	44	26	57	38
NC	20	16	21	21
ND	8	5	3	26
OH	45	35	16	48
SD	9	4	17	16
TN	19	10	7	24
WI	31	20	20	31
18 Sts	38	30	23	35

Soybeans: Percent Emerged, Selected States 1/

State	May 16, 2010	May 9, 2010	May 16, 2009	2005-2009 Avg.
	Percent			
AR	38	27	17	28
IL	12	4	0	8
IN	23	9	0	8
IA	8	3	4	5
KS	5	3	1	4
KY	9	4	2	4
LA	48	37	56	57
MI	9	8	1	5
MN	5	1	3	4
MS	71	61	66	75
MO	7	3	0	7
NE	6	1	7	5
NC	9	4	0	3
ND	0	0	0	1
OH	21	8	0	12
SD	0	0	1	1
TN	6	0	0	8
WI	5	0	0	2
18 Sts	13	7	5	9

RM seed

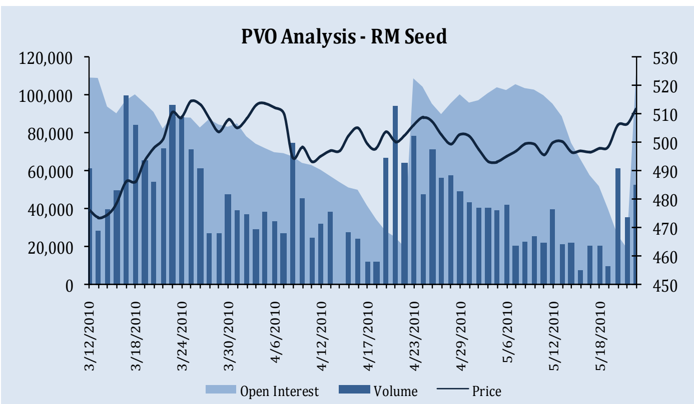
Market Recap

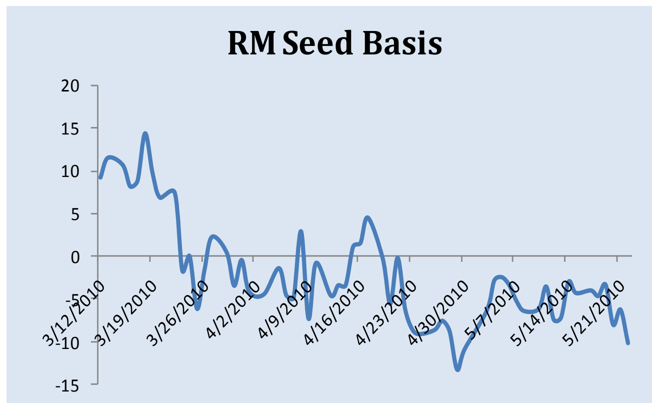
The rapeseed/mustard seed futures traded on a positive note last week by reversing its penultimate week's fall on emergence of fresh buying at the lower levels. Further decline in arrival of the produce to the spot market also supported positive trend during the week. Mustard seed market took cues from the firm soy complex market. Traders and investors bought futures anticipating revival in demand for the produce as the supply is declining. The festive demand for edible oil also supported the positive trend in the mustard seed market last week. The most active June contract mustard seed futures made a weekly high of Rs.512.50 per 20 kg from a low of Rs.499.10 per 20 kg and settled at Rs.511.80 per 20 kg, gaining by 2.95 W/W.

NCDEX futures

NCDEX (Rs/20 Kg)									
Contract	Open	High	Low	Close	% Change	Volume	% Change	Open Interest	% Change
Jun-10	496.35	512.50	493.60	511.80	2.95	199900	41.66	109650	1.80
Jul-10	501.55	518.50	499.10	517.90	2.96	210550	-5.53	70930	16.16
Aug-10	507.40	523.70	504.20	523.50	2.85	52420	-19.03	14440	23.21

Derivatives





Outlook

The mustard seed futures are expected to trade higher during the week ahead on follow through buying supported by low supplies in the spot market. Positive sentiment expected in the soy complex market is likely to lend support the mustard seed market. Festive and marriage season is also one of the factors for rise in the prices. Stockists are likely to buy futures in order to take advantage of price rise in off season as the arrival season close to an end in India. Lower production estimates for the current season is also likely to support the market. For 2009-10, mustard seed production has been projected at 59.2 lakh tonnes against 62 lakh tonnes a year ago. However, All India Mustard Oil Producers' Association has projected the output at 55 lakh tonnes. 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. Lower acreage and unfavourable weather condition resulted into fall in the output in the current year.

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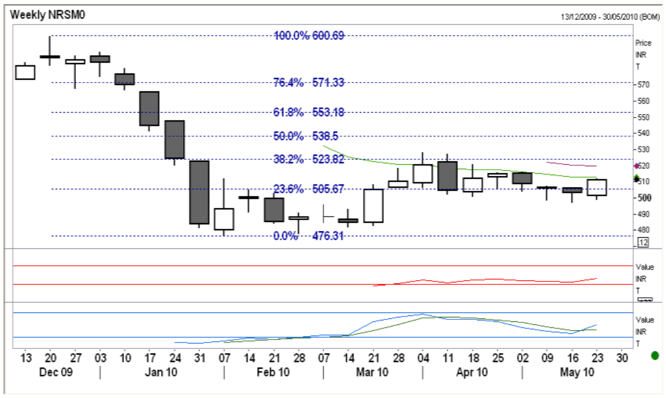
Technical analysis



RM seed June future prices witnessed an upside rally last week by reversing the previous three week's losses. The prices rallied from 493.60 levels to 512.50 levels and it settled at 511.80 levels. Market has breached the resistance at 506 (23.6% retracement of the range 476-601) levels and if the market trade above trading above the same suggesting upside movements to be continued for this week. The momentum indicator RSI (14) weekly is treading at 0.46 levels and showing a higher potential. The resistances are at 516 then 521 levels. After a long consolidation of past three week's market has given a breakout which is expected to continue in the near term. We expect prices to trade higher and recommend buying.

Recommendation: RM seed June NCDEX: Buy in the range 505-508 targeting 520 with stop loss below 499

Spread Matrix

Spread Matrix

	Jun-10	Jul-10	Aug-10
Jun-10	0		
Jul-10	6.1	0	
Aug-10	11.7	5.6	0

Pivot Table

	Contract	S2	S1	PREV CLOSE	R1	R2
RM Seed	**Jun-10**	487	499	511.80	518	525
	Jul-10	492	505	517.90	525	531
	Aug-10	498	511	523.50	530	537