

14-19 June 2010

Soybean

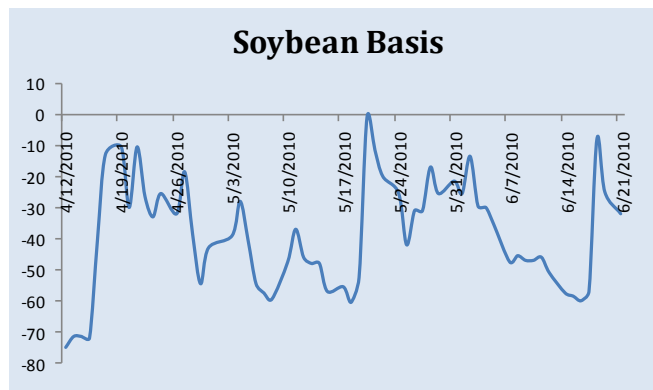
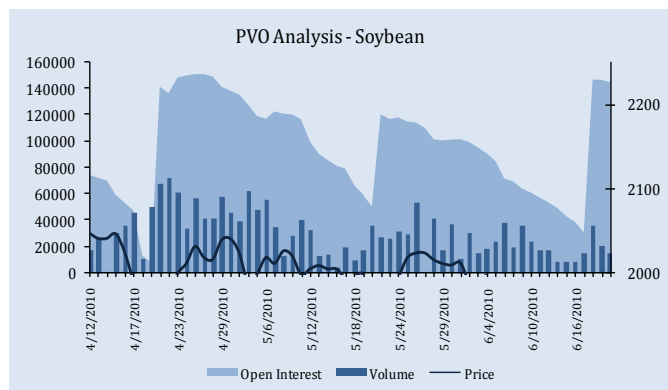
Market Recap

The NCDEX soybean futures fell for third consecutive week on follow through selling backed by bearish fundamental factors such as higher arrivals to the spot market, poor buying interest from crushers due to poor crush margin and on progress of monsoon. In order to clear off their stocks ahead of new sowing season, farmers brought more quantity of soybeans during the week, which resulted into supply glut in the spot market. The crush margin continued to remain negative during the week, hence, crushers were away from the active buying from the spot market. The release of poor oil meal export data and higher import of soy oil in May resulted into fall in the price of soybean in both spot and futures market. During the week, spot markets across Madhya Pradesh witnessed an average daily arrival of 70,000-90,000 bags. Indian market moved based on its fundamental factors rather than tracking global markets. The Southwest monsoon entered South Madhya Pradesh during the week. Commencement of soybean sowing in key growing areas of Karnataka, Maharashtra and Madhya Pradesh also had a bearish impact on the market. The active July contract NCDEX soybean futures made a weekly low of Rs.1887.50 per quintal from a high of Rs.1925 per quintal and settled at Rs.1904 per quintal.

Futures

NCDEX (Rs/Quintal)									
Contract	Open	High	Low	Close	% Change	Volume	% Change	Open Interest	% Change
Jul-10	1945.00	1964.50	1887.50	1904.00	-2.06	104610	-31.64	146290	172.32
Aug-10	1914.00	1925.00	1886.50	1893.00	-0.89	184760	-29.64	146510	7.12
Sep-10	1907.00	1918.00	1879.00	1882.00	-1.21	76190	-13.11	70290	3.44
Oct-10	1889.00	1895.00	1867.00	1879.00	-0.16	15260	-23.20	11310	49.37

Derivatives



Outlook

The soybean futures are expected to recover from its recent losses during early part of the coming week on account of short covering, but, later market is likely to resume its downtrend based on bearish fundamental factors. The sowing activity in Madhya Pradesh is likely to pick up in the week ahead as the southwest monsoon has entered south Madhya Pradesh and is likely to cover more parts in the days ahead. As of now, the sowing is lagging behind of last year. According to sowing data available from Union Agriculture Ministry, the soybean has been sown in an area of 2,000 hectares against 44,000 hectares in the same period a year ago. Total kharif oilseeds sowing so far is 134,900 hectares against 271,000 hectares a year ago. Poor oil meal export in May is also pressurizing factor for the prices. According to the Solvent Extractors' Association of India, oil meal exports in May declined by 2.66% to 173,604 tonnes against 178,350 tonnes in the same period a year ago. Soy meal exports in May fell 21% to 60,575 tonnes from 77,018 tonnes in the corresponding period a year ago. To attract farmers to grow more soybeans in the ongoing kharif season, the central government hiked Minimum Support Price from Rs.1390 to Rs.1440 per quintal. The Solvent Extractors Association of India said that marginal hike in MSP would not attract farmers to grow more soybeans during the season as the MSP of

pulses are hiked between 10-30%. Though there is a hike in MSP the acreage under cultivation will depend upon rainfall during sowing period.

Spread Matrix

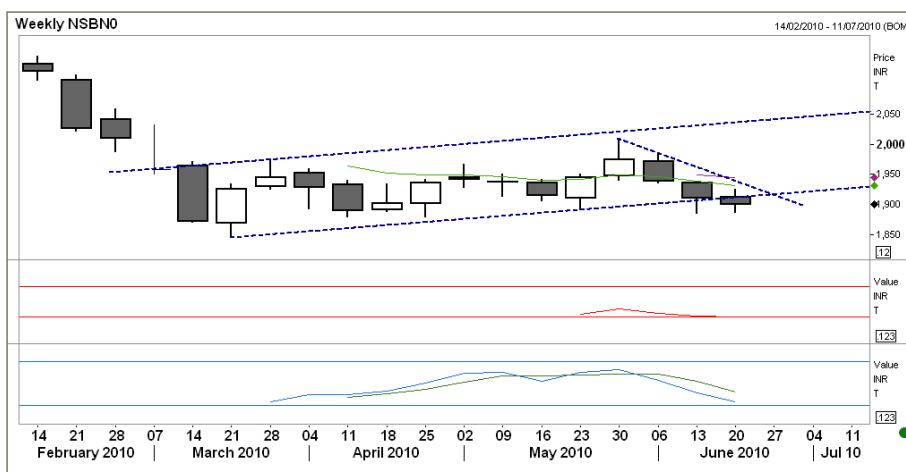
Spread Matrix				
	Jul-10	Aug-10	Sep-10	Oct-10
Jul-10	0			
Aug-10	-11	0		
Sep-10	-22	-11	0	
Oct-10	-25	-14	-3	0

Pivot table

	Contract	S2	S1	PREV CLOSE	R1	R2
NCDEX Soybean	Jul-10	1842	1873	1904	1950	1996
	Aug-10	1863	1878	1893	1917	1940
	Sep-10	1854	1868	1882	1907	1932
	Oct-10	1852	1866	1879	1894	1908
	Nov-10	1853	1866	1879	1890	1900

Technical analysis

Soybean July future prices traded down last week extending its previous week's trend and after making a low of 1887.5 it settled at 1904 levels. Market is still holding the trend channel breakout and witnessing a stiff resistance near 1920 levels sustain below the same expected to trade lower. Trading below the weekly short term (10, 20) EMA suggests prices to remain under pressure. On the other side, trend line resistance is also supporting downside movement for this week.



However, on the lower side key level is at 1885 levels (Previous swing low) on breach and sustain below will confirm downtrend for short term. We expect prices to trade lower if market sustain below 1920-30 levels.

Recommendation: Soybean July NCDEX: Sell in the range 1915-1920 targeting 1870 then 1840 with stop loss at 1940

Refined Soy Oil

The soy refined oil futures on Indian commodity exchanges recouped from its three consecutive week's fall on account of short covering. However, the upside was limited because of bearish fundamental factors like higher stock of edible oil due to heavy imports since beginning of the current year. During the week, the Solvent Extractors' Association of India released edible oil import data for May month. Though total oil imports were lower compared to same period last year, soy oil imports were higher. Lower international price and nil import duty on crude edible oil resulted into heavy imports. Higher arrival of soybeans to the spot market also had a bearish impact on the market. Spot market remained subdued during the week on account of sluggish demand from the retail traders. The active July contract RSO futures made a weekly high of Rs. 444.95 per 10 kg from a low of Rs.440.30 per 10 kg and settled at Rs.444.35 per 10 kg.

NCDEX (Rs/10 Kg)										
Contract	Open	High	Low	Close	% Change	Volume	% Change	Open Interest	% Change	
Jul-10	438.30	444.90	438.00	444.45	1.11	62900	-23.15	79330	123.53	
Aug-10	442.80	446.00	440.30	445.90	1.02	153770	-26.96	79780	-7.73	

Outlook

The refined soy oil futures are expected to trade on a positive note during early part of the coming week on account of extended short covering and later likely to resume downtrend as the underlying fundamental factors are bearish for the market. According to the Solvent Extractors' Association of India, total edible oil import in May month was 539,169 tonnes against 696,625 tonnes in the same period a year ago. Soy oil import during the month was 110,150 tonnes, more than doubled from 48,102 tonnes in the same period a year back and 30% higher than April month. Total edible oil stock as on 1st June is seen at 1.07 million tonnes and 525,000 tonnes is in pipelines. Lower international price and nil import duty on crude edible oil is resulting into heavy imports into the country. Higher arrival of soybean will also have a negative impact on the market. According to trade sources, total edible oil imports in the current oil year (Nov'09-Oct'10) is likely to be higher at 9.5 million tonnes against 8.18 million tonnes imported last year. During Nov'09-May'10, total edible oil imports were 4,628,859 tonnes against 4,790,596 tonnes in the same period last year while soy oil imports were 722,027 tonnes against 402,003 tonnes.

Pivot table

	Contract	S2	S1	PREV CLOSE	R1	R2
	Jul-10	436	440	444.45	447	449
NCDEX Soy Oil	Aug-10	438	442	445.90	448	450
	Sep-10	440	443	447.10	449	451

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)
6/11/2010	41500	39100	42600	39200	39000	39000	804
6/14/2010	41500	39000	42600	39000	39200	39200	817
6/15/2010	41000	39200	42300	39100	39200	39600	816
6/16/2010	41000	39500	42300	39200	39200	39600	825
6/17/2010	38000	39300	42300	39000	39400	39500	825
6/18/2010	38000	39200	41800	39200	39200	39500	834

RM seed

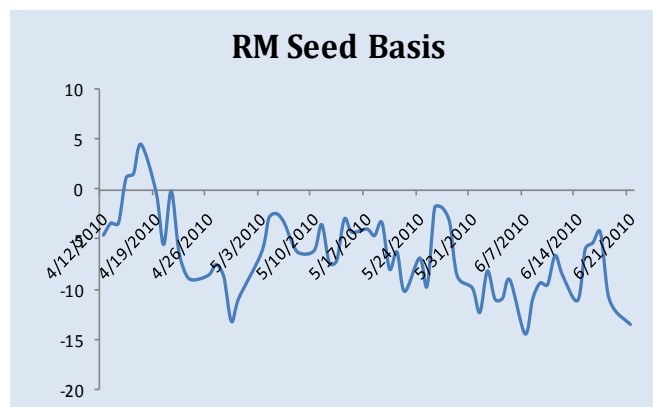
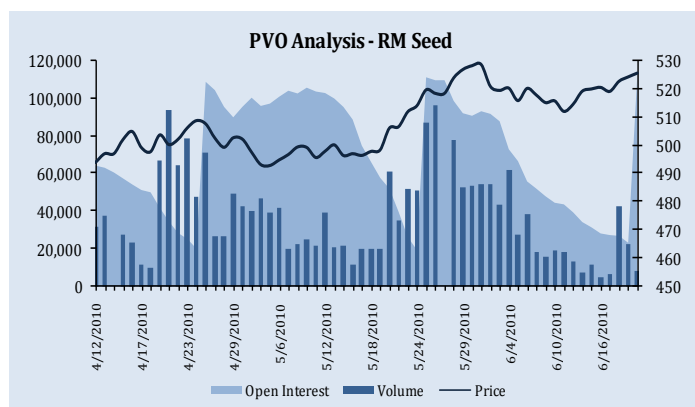
Market Recap

The rapeseed/mustard seed futures traded on a positive note during initial part of last week on account of strong buying interest supported by bullish fundamental factors of good demand, depleting stock and lower production. In later part of the week, prices pared earlier gains on account of profit booking. Weak trend in soy market had its effect on mustard seed market as well. The physical buying also became dull in later part of the week. The report of higher stock of edible oil and poor oil meal export demand also had a bearish impact on the market. The crush margin was negative in mustard seed also resulting into fall in the prices. Lack of buying interest in both spot and futures market kept the mustard seed futures under pressure. The most active July contract mustard seed futures made a weekly low of Rs.521.70 per 20 kg from a high of 528.65 per 20 kg and settled at Rs.524.20 per 20 kg.

NCDEX futures

NCDEX (Rs/20 Kg)									
Contract	Open	High	Low	Close	% Change	Volume	% Change	Open Interest	% Change
Jul-10	525.00	526.70	525.00	525.55	1.88	8020	-14.98	113010	258.65
Aug-10	529.00	532.85	529.00	531.65	1.58	3060	-24.74	57060	-51.30
Sep-10	538.00	538.00	537.45	537.55	1.53	990	-16.19	12950	3.11

Derivatives



Outlook

The mustard seed futures are expected to trade on a negative note during the week ahead tracking weak soy market. Lack of buying interest in both spot and futures market due to poor crush margin amid lower supply is likely to weigh on the market. India is having huge quantity of edible oil both in ports and in pipelines, which is likely to have a negative impact on the market. The oil meal export demand is remaining weak from Southeast Asian countries. The production for 2009-10 has been estimated at 59.2 lakh tonnes against 62 lakh tonnes produced last year. The stock is estimated at 5 lakh tonnes against 6 lakh tonnes estimated at the beginning of May month. 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.

Spread Matrix

Spread Matrix			
	Jul-10	Aug-10	Sep-10
Jul-10	0		
Aug-10	6.1	0	
Sep-10	12	5.9	0

Pivot Table

	Contract	S2	S1	PREV CLOSE	R1	R2
	Jul-10	510	517	524.20	529	534
RM Seed	Aug-10	518	524	530.25	534	537
	Sep-10	524	530	535.85	539	542

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