



# SPICES WEEKLY



A weekly fundamental and technical report on spices

21 June 2010

## Pepper

The pepper futures on Indian commex showed a negative trend during early part of last week on account of profit booking coupled with speculative selling backed by poor buying interest. But, prices regained later on emergence of fresh buying supported by strong fundamental factors like tight supply situation and on fresh export enquiries. Export buying was seen during the week as the Indian parity price in international market became at par with other countries. Reports of tight supply from Vietnam, Indonesia and Brazil also supported the positive trend during the week. The active July contract pepper futures on NCDEX made a weekly high of Rs.16495 per quintal from a low of Rs.15838 per quintal and settled at Rs.16490 per quintal.

## Outlook

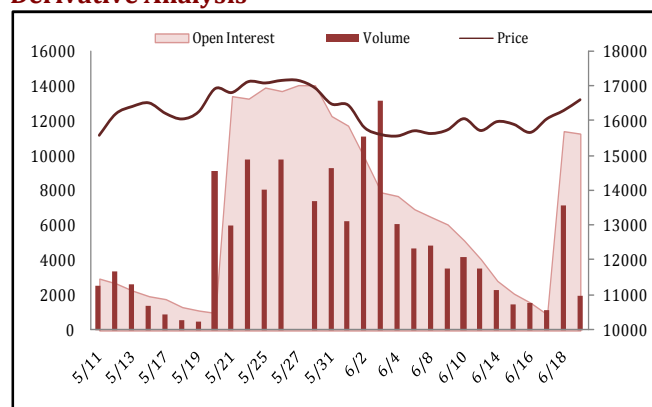
Pepper futures are expected to trade on a positive note for the week ahead taking cues from improved demand in local and international markets amid decreased supplies

- ♣ Since the Indian pepper is quoting at par with other countries in international market, India is getting good export orders
- ♣ World pepper balance sheet is in deficit of around 33,000 tonnes
- ♣ According to IPC, during first 5-montho of CY2010, Vietnam exported 60,000 tonnes of pepper and left with 40,000 tonnes for rest of the year
- ♣ The next crop is from Indonesia whose harvesting will commence in the month of July and its crop size is expected to be lower compared to last year
- ♣ India being preferred for quality, there are expectations of good demand for Indian pepper
- ♣ Moreover, in the spot market, supplies are remaining limited as sellers are not in a hurry to sell
- ♣ Vietnam has already exported 60,000 tonnes till May and now it is left with limited stocks of around 40,000 tonnes till harvesting of new crop in April 2011
- ♣ According to the International Pepper Community, world pepper output this year will also fall by nearly 9,000 tonnes against 2009 to 279,650 tonnes due to unfavourable weather conditions and pests
- ♣ Pepper harvesting in Indonesia and Brazil will commence in July and September respectively, until then India might get good export orders
- ♣ According to Spices Board of India, during FY 09-10, India exported 19,750 tonnes worth of Rs.31,392 lakh against 25,250 tonnes worth of Rs.41,373 lakhs in the same period last year

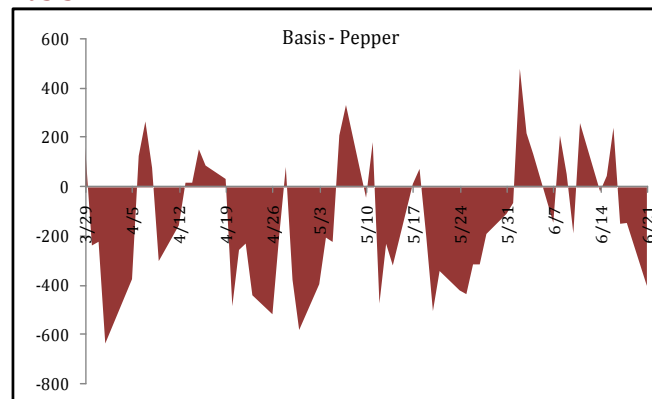
## Futures prices

| Contract      | July   | Aug    | Sept   |
|---------------|--------|--------|--------|
| Open          | 15928  | 16188  | 16425  |
| High          | 16495  | 16697  | 16890  |
| Low           | 15640  | 15838  | 16064  |
| Close         | 16442  | 16633  | 16823  |
| % Change      | 3.61   | 3.17   | 2.87   |
| Volume        | 18265  | 30413  | 3365   |
| % Change      | -19.92 | 9.54   | 47.14  |
| Open Interest | 11332  | 2186   | 308    |
| % Change      | 70.59  | -77.33 | -75.96 |

## Derivative Analysis



## Basis





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## Jeera

The jeera futures traded in a very range with upward bias last week in absence of fresh fundamental news in the market. Traders were away from active trade participation on concern over quality of stored jeera as many places of Gujarat received heavy rainfall during the week. Market participants were also in wait and watch mode for getting clarity about crop condition in Turkey and Iran. However, trend remained positive for the prices as the arrivals were limited during the week. The active July contract jeera futures on NCDEX traded in the range of Rs.11839-12068 per quintal and settled at Rs.11970 per quintal.

### Factors to watch out

- ♣ The spot market is maintaining its steady trend and prices are quoting around Rs.12000-12200 per quintal with arrivals reported at 4,000 bags per day
- ♣ According to market sources, Jeera production in Syria is around 20,000 tonnes and Turkey crop will come to market by the beginning of the July-August and the crop is expected to be good at around 15,000 tonnes
- ♣ Good monsoon rains in major Jeera growing area of Rajasthan
- ♣ According to Spices Board of India, during FY 09-10, India exported 49,750 tonnes worth of Rs.54,824 lakh of jeera against 52,550 tonnes worth of Rs.54,400 lakhs in the same period last year
- ♣ As per Spices Board data, international price of Jeera in New York market was \$3.15 per kg during the week ended 11<sup>th</sup> June, which was higher than \$2.69 per kg quoted in the same period last year
- ♣ Stock positions at the NCDEX accredited warehouses are at 7664 8115 tonnes as on 18<sup>th</sup> June 2010

### Outlook

The jeera futures are projected to trade on a positive note for the week supported by the fundamental factor of decreasing supplies and revival of overseas demand due to higher Syrian prices in comparison to India.

### Technical analysis

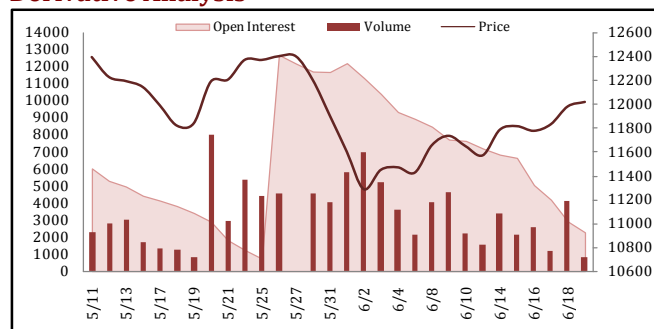
July Jeera future prices traded higher in last week by extending the previous gains and after making a high of 12068 it settled at ... levels. Prices are hovering in trend channel and witnessing a stiff resistance near 12170 levels (previous swing low) sustain below expected to resume its downtrend for this week. The supports on the lower side are at 11800 then 11400 levels. Market is likely to see a mild higher correction before resuming its downtrend. In daily chart prices are trading below the medium term (50) EMA suggests remaining under pressure. We expect prices to trade lower if market fails to breach the resistance at 12170 levels.

**Recommendation:** Sell in the range 12000-12100 targeting 11800 then 11600 with stop loss at 12300

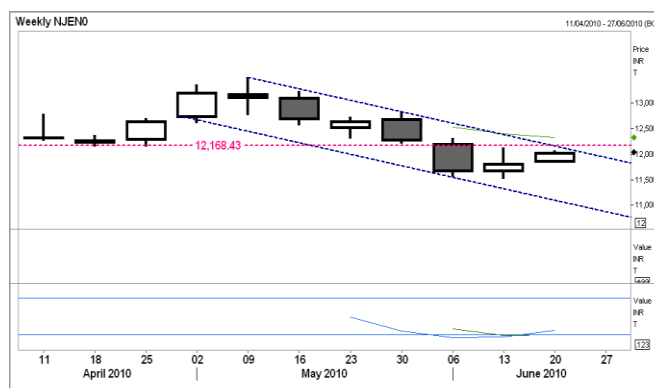
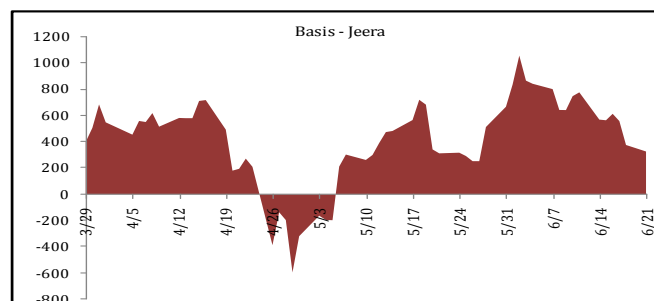
### Futures prices

| Contract      | July  | August | Sept   |
|---------------|-------|--------|--------|
| Open          | 11598 | 11839  | 12110  |
| High          | 12055 | 12265  | 12491  |
| Low           | 11598 | 11839  | 12054  |
| Close         | 11945 | 12154  | 12407  |
| % Change      | 3.18  | 2.78   | 2.42   |
| Volume        | 17229 | 26133  | 9663   |
| % Change      | 8.91  | 29.76  | 84.69  |
| Open Interest | 10491 | 11091  | 9039   |
| % Change      | 65.66 | -8.49  | -72.85 |

### Derivative Analysis



### Basis





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## Turmeric

The turmeric futures showed a positive trend during first two days of last week on account of follow through buying supported by strong fundamental factors like lower carry-forward stocks and sustained domestic and export demand. But, market could not sustain its positive trend and reversed its direction on account of profit booking and lack of buying interest at higher levels. Traders also sold futures anticipating the acreage under turmeric cultivation will increase in the coming season. The active July contract NCDEX turmeric futures tested a weekly low of Rs.14310 per quintal from a high of Rs.15636 per quintal and settled at Rs.14550 per quintal.

### Factors to watch out

- ❖ NCDEX has modified the contract specification of Turmeric lot size from 10 MT to 5 MT which will provoke small traders to enter in to the futures.
- ❖ The carry-forward stocks are very less at around 7,000 tonnes, which is likely to support the prices
- ❖ According to market sources, the area under turmeric cultivation is likely to increase by 30% this year
- ❖ According to Spices Board of India, during FY 09-10, India exported 50,750 tonnes worth of Rs.38,123 lakh of jeera against 52,500 tonnes worth of Rs.24,857 lakhs in the same period last year
- ❖ As per Spices Board data, international price of turmeric in New York market was \$4.96 per kg during the week ended 11<sup>th</sup> June, which was higher than \$1.87 per kg quoted in the same period last year
- ❖ According to market sources, fears of stock shortage are still prevalent in the physical market
- ❖ Stock positions at the NCDEX accredited warehouses is 1284 tonnes as on 18<sup>th</sup> June 2010

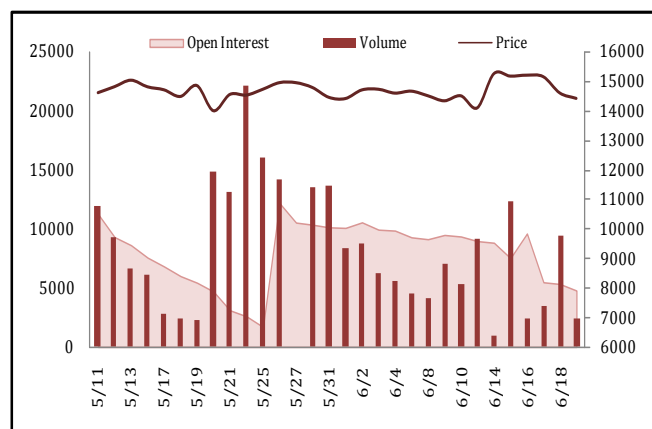
### Outlook

Turmeric futures are expected to trade lower during the week ahead on selling pressure and poor buying interest from the traders. Anticipation of higher acreage is likely to weigh on the market. However, stock shortage might limit the sharp fall during the week.

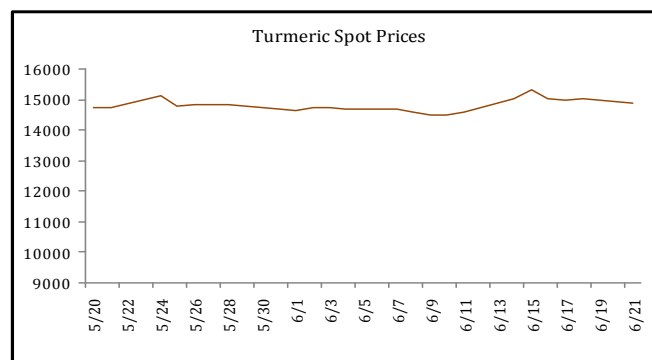
## Futures prices

| Contract      | July   | Aug    | Sept   |
|---------------|--------|--------|--------|
| Open          | 14956  | 14956  | 14099  |
| High          | 15860  | 15636  | 14636  |
| Low           | 14310  | 14232  | 13762  |
| Close         | 14476  | 14314  | 14636  |
| % Change      | -1.27  | -2.88  | -2.56  |
| Volume        | 34665  | 56705  | 3530   |
| % Change      | -17.42 | 115.81 | 68.41  |
| Open Interest | 9180   | 1660   | 170    |
| % Change      | -4.23  | -75.82 | -87.94 |

## Derivative Analysis



## Basis



| NCDEX | S2    | S1    | R1    | R2    |
|-------|-------|-------|-------|-------|
| July  | 13350 | 14000 | 14700 | 15200 |



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