

5-10 July 2010

Soybean

Strategy - **SELL**

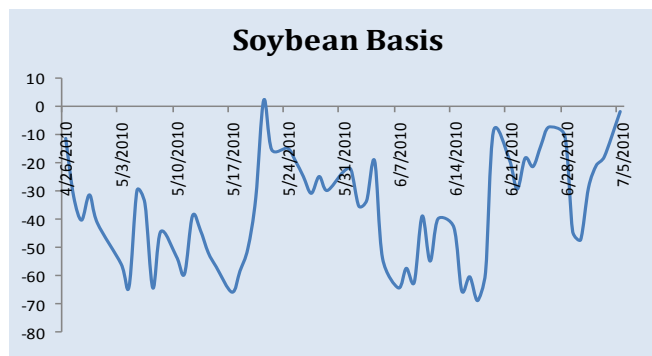
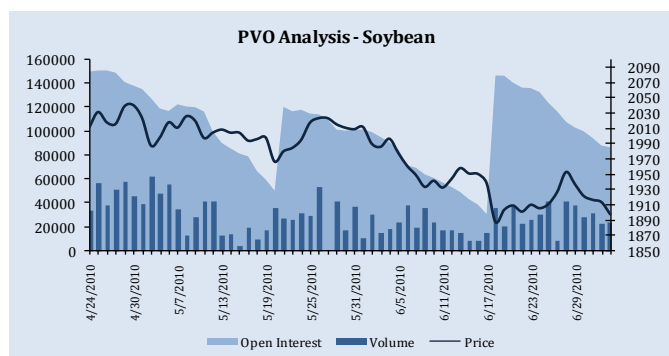
Soybean July NCDEX: Sell in the range 1905-1910 targeting 1875 with stop loss at 1936

The soybean futures are projected to trade lower during the week ahead on selling pressure backed by bearish fundamental factors. Improvement in monsoon will boost sowing activity. After a long period of pause, the monsoon revived last week and conditions are becoming favourable for its further progress. According to Union Agriculture Ministry, soybean sowing till 2nd July is 12.13 lakh hectares against 2.88 lakh hectares sown in the same period last year. Acreage under total oilseeds so far is 28.864 lakh hectares against 12.963 lakh hectares last year. If the central India receives good amount of rainfall during the week, we may see rise in acreage under soybean cultivation. Looking into fall in the price of soybean and its by-products because of heavy import of edible oil and poor oil meal export demand, the Solvent Extractors Association of India appealed the central government to revise import duty and base import tariff values of edible oil and is also seeking lift on ban on export of edible oil in bulk. But, we are expecting that government will not consider this appeal as of now. It is possible only after assessing crop condition for the current year. Oil meal exports in May month were lower at 173,604 tonnes against 178,350 tonnes as major importing nations bought from Latin America following harvesting in those countries.

Futures

Contract	NCDEX (Rs/Quintal)									
	Open	High	Low	Close	% Change	Volume	% Change	Open Interest	% Change	
Jun-10	1930.50	1956.00	1894.00	1898.00	-1.53	186520	-3.20	86660	-25.59	
Jul-10	1941.00	1967.00	1900.00	1903.50	-1.86	188690	36.85	116010	14.61	
Aug-10	1940.00	1960.00	1895.50	1899.00	-1.78	57170	-20.96	64700	26.96	
Sep-10	1927.00	1943.00	1878.00	1881.00	-1.88	14630	-14.49	15790	-1.93	

Derivatives



Market Recap

The NCDEX soybean futures traded on a positive note on first day of the week on follow-through buying. Investors and traders bought futures raising concern on soybean sowing. Poor performance of the monsoon during penultimate week resulted into slower pace of sowing. But, market could not sustain its positive trend and started downtrend from second day onwards on profit booking and emergence of fresh selling. Investor and traders sold futures anticipating sowing will pick-up in the days ahead. Key soybean growing districts of Madhya Pradesh received good amount of rainfall during the week. Furthermore, higher uncrushed soybean stock with farmers and poor off-take of soybeans from crushers resulted into fall in the prices. Spot market remained under pressure as the arrivals were comparatively higher during the week. The southwest monsoon revived in mid of the week and progressed further to cover more parts of Madhya Pradesh. Indian market also moved in line with weak overseas market, which was driven by fall in crude oil prices, weak demand and favourable weather condition for soybean crop in US.

Spread Matrix

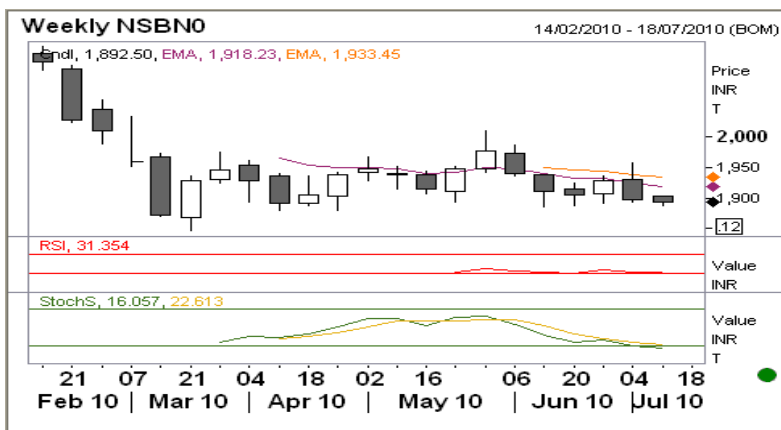
Spread Matrix				
	Jun-10	Jul-10	Aug-10	Sep-10
Jun-10	0			
Jul-10	5.5	0		
Aug-10	1	-4.5	0	
Sep-10	-17	-22.5	-18	0

Pivot table

	Contract	S2	S1	PREV CLOSE	R1	R2
NCDEX Soybean	Jul-10	1854	1876	1898	1938	1978
	Aug-10	1857	1880	1904	1947	1991
	Sep-10	1854	1876	1899	1941	1983
	Oct-10	1836	1858	1881	1923	1966
	Nov-10	1843	1863	1883	1920	1958

Technical analysis

The NCDEX July contract Soybean future fell sharply last week by reversing the previous gains. After making a high of 1956, the market settled at 1898 levels. The prices are expected to remain in bearish note for the week ahead as previous week's candle is rendering downside trend. The market is trading below daily short term (13, 22) EMA, which is also supporting our view. The support is seen at 1885. If the market sustains below this level, it will confirm the downtrend for medium term. The momentum indicator MACD took lower crossover (MACD moving below the signal line) also supporting bearish view. Hence, we recommend selling soybean July contract for the week ahead.



Refined Soy Oil

Strategy - **SELL**

Soy Oil July NCDEX: Sell in the range 443-444 targeting 439 and 436 with stop loss at 446

The refined soy oil futures are expected to trade on a negative note during the week ahead on selling pressure and moving in line with weak soybean market. Soybean is expected to pick up during the week on improvement in weather condition. Higher stock of unsold edible oil lying at ports is likely add pressure to 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. The fall in volume W/W is indicating lack of trade participation during the week.

NCDEX (Rs/10 Kg)									
Contract	Open	High	Low	Close	% Change	Volume	% Change	Open Interest	% Change
Jun-10	447.90	450.70	440.80	441.20	-1.29	140150	-17.05	62930	-0.69
Jul-10	451.50	453.80	443.00	443.20	-1.45	150310	57.21	85680	3.57

The soy refined oil futures traded on a negative last week on emergence of fresh selling backed by weak demand, Lack of buying interest and higher inventory of edible oil in Indian ports added bearish strength to the market. Furthermore, Indian market took cues from weak overseas markets, which were driven by fall in crude oil prices. Investors and traders sold futures anticipating imports would rise in coming days as the international prices are at lower levels and import into India does not attract any duty, which will make the imported oil cheaper.

Pivot table

	Contract	S2	S1	PREV CLOSE	R1	R2
	Jul-10	434	438	441.20	448	454
NCDEX Soy Oil	Aug-10	436	440	443.20	450	457
	Sep-10	437	441	444.25	452	459

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)
6/25/2010	38000	39500	41700	39700	39800	39700	835
6/28/2010	38000	39700	41700	40400	40000	39700	835
6/29/2010	38000	39800	42800	40200	40300	39800	826
6/30/2010	38000	39400	42500	40000	39800	39600	826
7/1/2010	38000	39200	42000	39800	39800	39400	828
7/2/2010	38000	39300	42000	40200	39700	39400	828

RM seed

Strategy - **SELL**

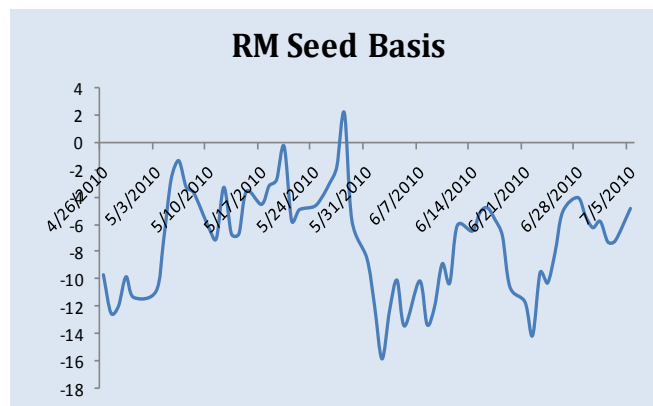
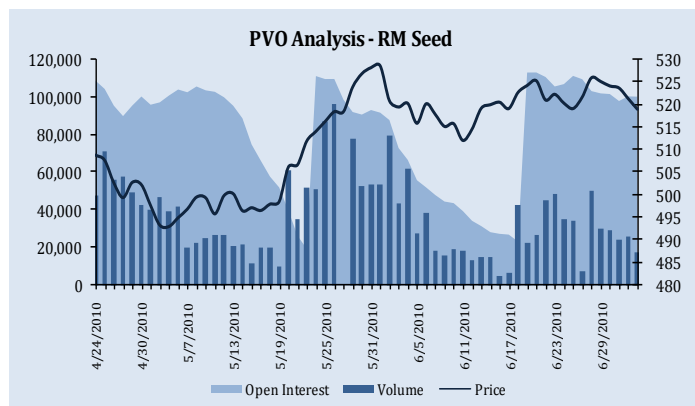
RM Seed July NCDEX: Sell in the range 520-522 targeting 511 with stop loss at 529

The mustard seed futures are expected to trade on a negative note during the week ahead. The bearish trend in entire oil and oilseeds market will exert pressure on mustard seed futures. Rising inventory level as exchange warehouse is indicating low crush demand for the produce. The kharif oilseeds acreage increased sharply last week. Sowing is likely to pick up this week as the monsoon is performing well. NCDEX warehouses are having a stock of 86,093 tonnes as on 2nd July 2010. Stockists are away from active buying and are waiting for clear picture of kharif oilseeds production. However, in later part of the week, price might reverse their direction as the stock level of mustard seed is very less due to lower production in 2009-10. The stock is estimated at 5 lakh tonnes against 6 lakh tonnes estimated at the beginning of May month.

NCDEX futures

NCDEX (Rs/20 Kg)									
Contract	Open	High	Low	Close	% Change	Volume	% Change	Open Interest	% Change
Jun-10	523.00	527.20	518.50	518.95	-0.52	177750	-19.29	100210	-8.45
Jul-10	529.00	533.30	525.00	525.40	-0.49	126900	68.30	81690	29.77
Aug-10	535.25	538.90	530.00	530.40	-0.57	26920	39.92	22390	35.53

Derivatives



Outlook

The mustard seed futures traded on a negative note last week on speculative selling in the futures market. Weak trend in soy complex market kept the mustard seed futures in the red zone last week. Rising warehouse stocks day-by-day also weighed on the market. The report of higher stock of edible oil and poor oil meal export demand also had a bearish impact on the market. Spot market remained subdued during the week with limited trade activity.

Spread Matrix

Spread Matrix			
	Jun-10	Jul-10	Aug-10
Jun-10	0		
Jul-10	6.45	0	
Aug-10	11.45	5	0

Pivot Table

	Contract	S2	S1	PREV CLOSE	R1	R2
	Jul-10	513	516	518.95	525	530
RM Seed	Aug-10	520	523	525.40	531	536
	Sep-10	524	527	530.40	536	542

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