

2-7 August 2010

## Soybean

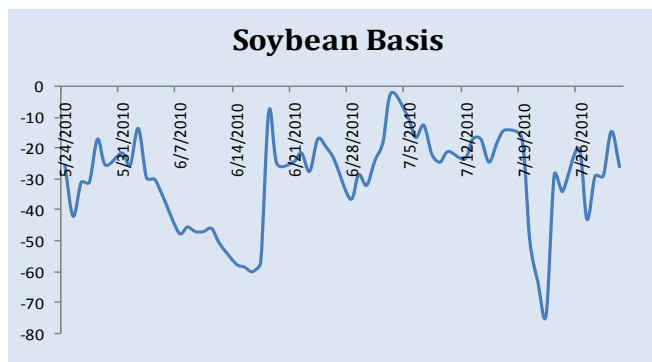
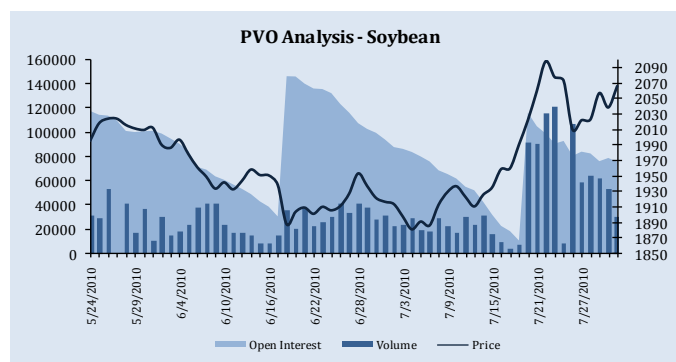
### Market Recap

The soybean futures on Indian exchange opened the week on a bearish note on strong selling pressure. On Monday, prices fell over 3% based on bearish fundamental report. Reports of active rainfall towards end of penultimate week prompted investors to sell futures. This rainfall erased the concerns of yield loss due to dry weather condition. However, starting from Tuesday prices started moving up despite active rainfall. Positive trend in overseas market also lent support to the domestic market. Moreover, traders bought soybean futures anticipating good export demand for Indian soy meal. Lower meal of Indian origin compared to that of Brazil and Argentina attracted good buying. With the sharp fall in soy meal prices in recent past, India is anticipating good export enquiries for South East Asian countries. Strong demand for soy meal from both domestic traders and exporters has been supporting the soy meal price to increase day-by-day. Strong demand for soy oil ahead of festival season and anticipation of lower oil imports in next 2-3 months added bullish strength to the market. CBOT soybean futures showed a positive trend during the week on strong fundamental factors. Increasing demand from China and tight old crop inventories supported the CBOT soybean futures to trade higher during the week.

### Futures

Contract	NCDEX (Rs/Quintal)						Volume	% Change	Open Interest	% Change
	Open	High	Low	Close	% Change					
Aug-10	2074.50	2091.00	1990.00	2066.00	-0.34	377480	-31.39	76070	-18.37	
Sep-10	2087.00	2089.00	2001.50	2081.50	-0.38	480830	3.66	123620	12.16	
Oct-10	2100.00	2100.00	1984.00	2056.50	-1.03	149790	25.85	45290	10.44	
Nov-10	2066.00	2066.00	1982.00	2049.00	-1.49	95540	59.15	44040	46.07	

### Derivatives



### Outlook

The soybean futures are expected to trade on a positive note for the week ahead on continued buying supported by strong fundamental factors. Domestic traders are likely to buy soybean futures anticipating good soy meal export demand in near-term. Lower Indian soy meal price compared to other countries is likely to be an added advantage for India. With the end of harvesting season in Brazil and Argentina, the oil meal importing countries are likely to turn to India. The acreage under soybean cultivation as on last Friday is showing decline on year. According to latest sowing data available, soybean sowing is down 6% Y/Y at 85.34 lakh hectares against 90.73 lakh hectares in the same period last year. Strong festive demand for edible oil is likely to push up the soybean prices in spot as well as futures market. It is expected that India might get good oil meal export orders in coming days. With the rise in international price of soy oil, the parity price (landed cost) is also increasing in India. CBOT soybean futures are expected to trade higher during the week on account of follow through buying supported by strong fundamental factors. Strong Chinese demand and tight old crop inventories of soybean in US is likely to add bullish strength to the market. The CBOT soybean futures are

taking cues from strong wheat market. The world wheat production is likely to fall by 2% is creating additional demand for soy products.

## Spread Matrix

Spread Matrix				
	Aug-10	Sep-10	Oct-10	Nov-10
Aug-10	0			
Sep-10	15.5	0		
Oct-10	-9.5	-25	0	
Nov-10	-17	-32.5	-7.5	0

The spread between August and September contract is in a contango of 15.5 and this difference is likely to widen to around 50. Hence, we recommended buying September and selling August contract with a stop loss of -5.

## Pivot table

	Contract	S2	S1	PREV CLOSE	R1	R2
NCDEX Soybean	Aug-10	1901	1988	2075	2136	2196
	Sep-10	1963	2026	2090	2137	2185
	Oct-10	1989	2033	2077	2115	2153
	Nov-10	1986	2034	2081	2120	2158
	Dec-10	1992	2042	2092	2132	2172

## Refined Soy Oil

Strategy - **BUY**

**August NCDEX:** Buy at 486 -487 targeting 5498 and then 510 with stop below 483

The refined soy oil futures rallied to new contract high last week. Prices gained for fourth week in a row on strong buying interest supported by firm overseas market. The bullish trend in soybean also lent support to the soy oil futures market also. Traders bought soy oil futures on speculation that festive demand would drive the prices in near-term. Rise in landed cost of soy oil as a response to rising international price and on depreciating rupee provided support to the market. Anticipation of drop in edible oil import in near-term also acted as bullish factor for the market.

NCDEX (Rs/10 Kg)									
Contract	Open	High	Low	Close	% Change	Volume	% Change	Open Interest	% Change
Aug-10	483.00	493.00	474.00	490.85	1.58	496210	-20.19	74470	-10.43
Sep-10	482.20	495.50	477.10	494.20	1.63	398740	27.79	100790	24.16

### Outlook

The refined soy oil futures are forecast to trade higher during the week ahead on strong fundamental factors. It is expected that edible oil imports in next 2-3 months would be lower due to higher international price. Strong spot demand ahead of festival season in India is likely to add bullish strength to the market. According to the Solvent Extractors' Association of India, edible oil imports in June fell 6.67% Y/Y to 6.92 lakh tonnes against 7.42 lakh tonnes. Soy oil imports fell 25% to 1.92 lakh tonnes against 2.58 lakh tonnes in the same period a year ago. Import in July is likely to be lower compared to same period last year. The CBOT soy oil futures are expected to trade higher during the week ahead on strong demand. Strong export demand for palm oil is likely to push up the MDEX palm oil futures, which in turn would support the Indian market.

### Pivot table

	Contract	S2	S1	PREV CLOSE	R1	R2
NCDEX Soy Oil	Aug-10	467	479	490.85	498	505
	Sep-10	471	482	494.20	501	507
	Oct-10	473	483	494.05	500	506

### 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)
7/23/2010	40500	43000	45700	42700	43200	42500	890
7/26/2010	40800	42900	46000	43600	43500	43200	903
7/27/2010	40500	42700	46300	43700	43700	43200	903
7/28/2010	40300	42500	46000	43500	43700	42700	905
7/29/2010	41000	43500	46000	43800	43700	43000	920
7/30/2010	41000	43600	46400	44200	44200	43600	930

## RM seed

Strategy - **BUY**

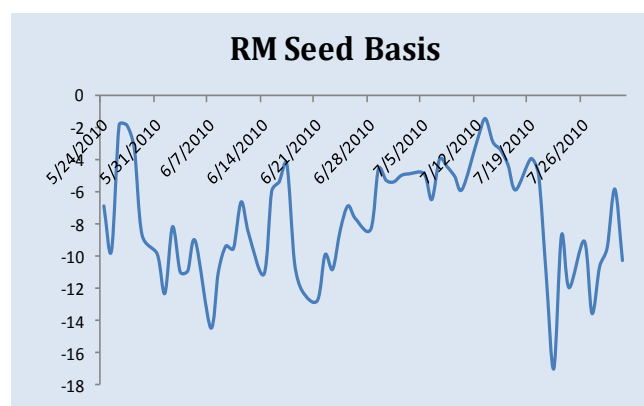
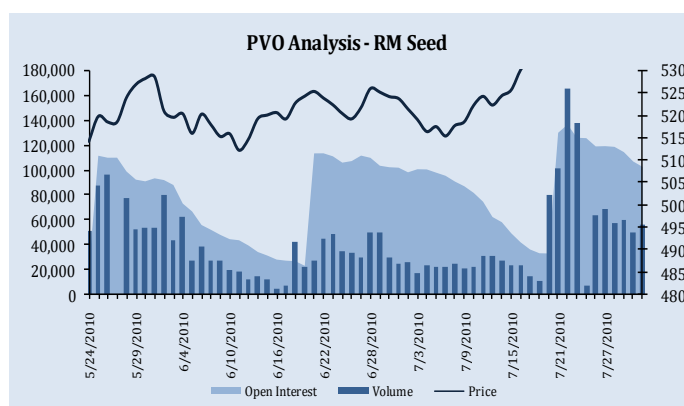
**August NCDEX:** Buy at 486 -487 targeting 5498 and then 510 with stop below 483

The mustard seed futures traded on a positive note last week retreating from penultimate week's fall on emergence of fresh buying. Positive trend in entire soy complex market supported the mustard seed futures to trade higher during the week. Limited supply of the produce in the spot market and strong crushing demand lifted the spot prices as well. Traders and investors bought futures anticipating revival in demand for mustard oil in coming day. The supply of mustard seeds was limited in major spot market as farmers were holding back their produce anticipating rise in the prices.

### NCDEX futures

NCDEX (Rs/20 Kg)										
Contract	Open	High	Low	Close	% Change	Volume	% Change	Open Interest	% Change	
Aug-10	553.75	560.80	544.10	558.95	1.09	356320	-41.32	102230	-18.31	
Sep-10	559.10	568.50	551.00	566.25	1.22	233060	14.50	114500	30.29	
Oct-10	563.55	574.00	557.30	571.75	1.20	24710	-40.73	29440	-43.85	

### Derivatives



### Outlook

The mustard seed futures are forecast to trade higher during the week ahead on extended buying interest supported by strong fundamental factors. The positive trend expected in soy market is likely to have its impact on the mustard seed market as well. Bullish fundamental factors like lower supplies and good buying interest is likely to push up the prices. There is a strong stockist demand in the spot market. Lower production is also supporting the prices. Last year, India's mustard seed production was lower at 59.2 lakh tons against 62 lakh tons in penultimate year. The market is likely to move in line with strong soy complex market. NCDEX warehouse stocks are increasing day-by-day and as on 30th July NCDEX stocks are 103,452 tonnes.

### Spread Matrix

Spread Matrix			
	Aug-10	Sep-10	Oct-10
Aug-10	0		
Sep-10	7.3	0	
Oct-10	12.8	5.5	0

### Pivot Table

	Contract	S2	S1	PREV CLOSE	R1	R2
RM Seed	Aug-10	538	548	558.95	565	571
	Sep-10	544	555	566.25	573	579
	Oct-10	551	561	571.75	578	584

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