

30 Aug - 4 Sep 2010

## Soybean

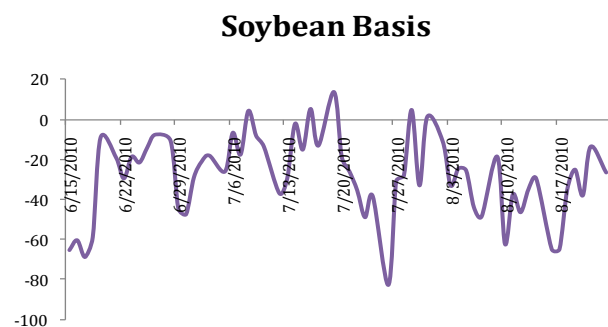
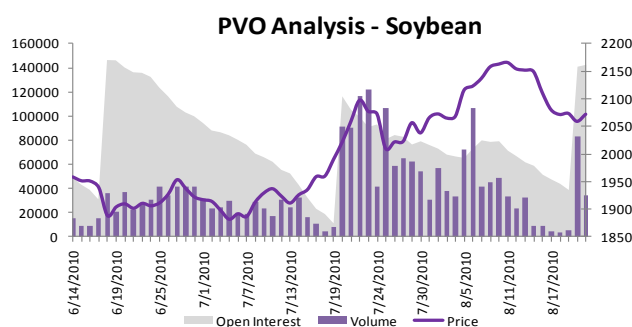
Last week, we had recommended to sell September contract soybean futures around 2080-2090 levels for a target of 2050 with stop loss above 2140. This recommendation was initiated and achieved the given target in first part of the week. In second half of the week, prices erased earlier losses on short covering and emergence of fresh buying. We are expecting a positive trend for NCDEX soybean futures during early part of the week on fresh buying. Fresh soy meal export enquiries are likely to support the prices in near term. India has signed a new crop soy meal export deal last week and expecting more to come in the days ahead. First deal of selling 12,000 tons of soy meal was closed at \$412 per ton C&F. Indian market is likely to move in sync with international market. CBOT soybean futures are expected to trade on a positive note in the week on (1) strong export demand from China (2) fear of yield reduction from reports of Sudden Death Syndrome (SDS) disease. CBOT soybean futures are holding a strong support at \$10 per bushel. International market is also reacting to the report of lower carry over stocks for Brazil and Argentina at the beginning of 2010-11 season.

We are expecting a limited rise in soybean futures during the week ahead. Though acreage under soybean cultivation is slightly lower compared to last year, production may not fall. Favourable weather condition across key growing areas of the country is resulting into rise in yield level. According to Indore based National Research Centre on Soybean, yield is likely to be around 1200-1250 kg per hectare this year. Huge inventory of edible oil due to heavy imports is likely to limit the gains. As per latest sowing data available, India's soybean acreage is 9.2 million hectares as on 27<sup>th</sup> August, down 3.16% Y/Y.

## Futures

NCDEX (Rs/Quintal)									
Contract	Open	High	Low	Close	% Change	Volume	% Change	Open Interest	% Change
Sep-10	2167.00	2167.00	2056.50	2072.50	-4.36	514200	-8.36	142610	-9.13
Oct-10	2147.00	2147.00	2049.00	2066.00	-3.68	181460	-8.13	68070	15.10
Nov-10	2149.00	2149.00	2050.00	2061.50	-3.74	145050	-20.14	96890	17.00
Dec-10	2168.00	2168.00	2066.50	2075.00	-3.89	21050	-54.01	21690	8.78

## Derivatives



## Review

Last week was mixed trading week for soybean futures market. Initially, prices fell drastically based on domestic bearish fundamental factors. Poor buying interest from crushers (due to lower crush margin) and higher oil inventories kept the market in red. But, in second half of the week, prices recovered on short covering and on fresh buying. Recovery in international oil and oilseeds market supported the Indian market to pare losses. Signing of fresh new-crop soy meal export deal also supported the recovery in latter half of the week.

## Spread Matrix

Spread Matrix				
	Sep-10	Oct-10	Nov-10	Dec-10
Sep-10	0			
Oct-10	-6.5	0		
Nov-10	-11	-4.5	0	
Dec-10	2.5	9	13.5	0

## Pivot table

	Contract	S2	S1	PREV CLOSE	R1	R2
NCDEX Soybean	Sep-10	1998	2035	2073	2130	2188
	Oct-10	1976	2021	2066	2139	2212
	Nov-10	1991	2026	2062	2122	2183
	Dec-10	1992	2034	2075	2133	2190
	Jan-11	2011	2053	2096	2153	2211

## Crush Margin

	Sep	Oct	Nov
Bean (Ex-plant)	20670.00	20695.00	20715.00
Cost	21570.00	21595.00	21615.00
Refined Soy Oil	492.45	492.00	488.10
Solvent Oil	462.45	462.00	458.10
Oil Share	9249.00	9240.00	9162.00
DOC Ex-Kandla	15900.00	15900.00	15900.00
DOC Ex-Indore	14700.00	14700.00	14700.00
Meal Share	11760.00	11760.00	11760.00
Realization	21009.00	21000.00	20922.00
<b>Margin</b>	<b>-561.00</b>	<b>-595.00</b>	<b>-693.00</b>

## Refined Soy Oil

We had recommended selling refined soy oil futures in the range of 497-500 targeting 488-485 with stop loss above 505 last week. However, this recommendation was not initiated but the market moved in line with our expectation. Soy oil futures prices fell drastically in first part of last week on strong selling pressure backed by bearish fundamental factors. In latter half of the week, prices pared earlier losses on short covering and fresh buying. For the week ahead, we are expecting further gains during early part of this week. The international crude oil prices are likely to show positive trend initially, which may have a positive impact on edible oils. But, Indian fundamental factors are still bearish for the market. Higher stocks of edible oil in ports is adding bearish sentiment to the market. According to the Solvent Extractors' Association of India, edible oil imports in July month rose 34% Y/Y. Edible oil stock at ports is estimated above 1 million tons as on 1<sup>st</sup> August 2010.

NCDEX (Rs/10 Kg)									
Contract	Open	High	Low	Close	% Change	Volume	% Change	Open Interest	% Change
Sep-10	520.00	520.00	487.70	491.80	-5.27	858220	1.13	129600	-15.49
Oct-10	519.00	519.10	485.60	489.55	-5.50	191950	-0.56	66320	-24.24

## Review

Last week was mixed trading week for refined soy oil futures market. In first half of the week, soy oil futures fell drastically on strong selling pressure backed by bearish fundamental factors. Heavy imports into the country and build up in inventory were bearish factor for the market. Indian market reacted very positively to MDEX palm oil market. Poor export data from Malaysia led the BMD CPO futures to fall drastically during early part of the week. But, in second half, prices recovered on short covering and on fresh speculative buying. A sharp recovery in international edible oil market supported the Indian market.

## Pivot table

	Contract	S2	S1	PREV CLOSE	R1	R2
NCDEX Soy Oil	Sep-10	468	480	491.80	512	532
	Oct-10	464	477	489.55	511	533
	Nov-10	464	477	488.55	510	531

## 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)
8/13/2010	46000	46700	49000	47500	47500	46800	990
8/16/2010	46000	47000	49500	47000	48000	47500	990
8/17/2010	46000	46200	49500	46500	47500	46500	975
8/18/2010	45000	45600	49300	45500	46800	46400	965
8/19/2010	45000	45000	49000	45200	46500	45000	958
8/20/2010	45000	44500	47500	45000	45500	44800	942

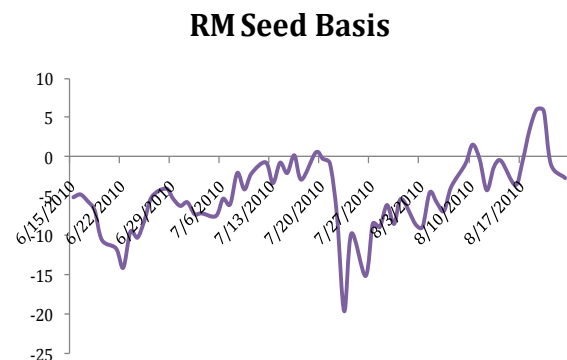
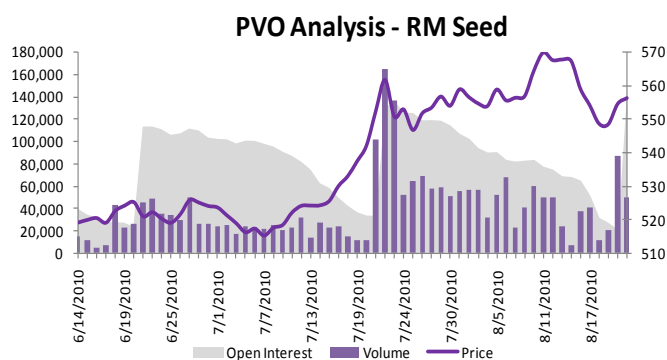
## RM seed

The selling recommendation given last week around 559-560 targeting 550 then 547 with stop loss above 567 was initiated and achieved the target. Market fell for the second consecutive week on strong selling pressure backed by weak fundamental factors. For the week ahead, mustard seed futures are likely to extend its bearishness. Lack of active buying in the spot market is likely to keep prices in red. Most of the crushers are staying away from active buying due to poor crush margin. Higher warehouse stock is also one of the bearish factors for the market. Expectation of rise in Kharif oilseeds production due to higher acreage and favourable weather condition is the market driving force during the week ahead. The exchange warehouse stocks as on 27<sup>th</sup> August 2010 is 120,072 tons. Bearishness in soy market is likely to its effect on mustard seed futures market.

## NCDEX futures

NCDEX (Rs/20 Kg)									
Contract	Open	High	Low	Close	% Change	Volume	% Change	Open Interest	% Change
Sep-10	574.00	574.60	550.50	556.35	-3.23	580950	-2.86	150980	-18.59
Oct-10	578.85	579.10	556.90	562.65	-2.92	135260	38.22	54860	41.72
Nov-10	581.00	582.60	563.00	568.40	-2.53	19320	66.98	29440	-43.85

## Derivatives



## Review

The mustard seed futures prices plunged to 7-week low on strong selling pressure. The active September contract fell by around 4% during the week. Weakness in soy market at the beginning of the week had its spill-over effect on mustard seed market. Lack of buying interest from crushers due to lower margin kept the market under pressure. Forecast of rise in Kharif oilseeds production acted as bearish factor for the market. There was build up in inventory at exchange designated warehouses during the week.

## Spread Matrix

Spread Matrix			
	Sep-10	Oct-10	Nov-10
Sep-10	0		
Oct-10	6.3	0	
Nov-10	12.05	5.75	0

## Pivot Table

	Contract	S2	S1	PREV CLOSE	R1	R2
RM Seed	Sep-10	531	544	556.35	568	580
	Oct-10	538	551	562.65	575	587
	Nov-10	546	557	568.40	579	590

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