

13-18 September 2010

## Soybean

Strategy: **SELL**

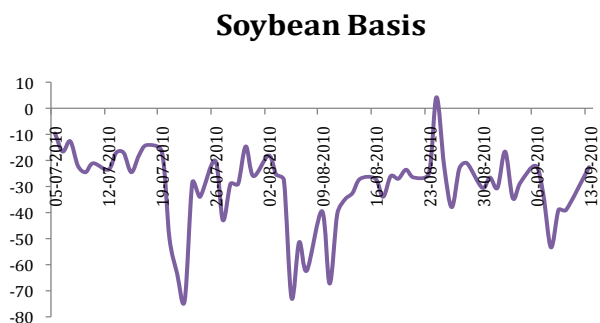
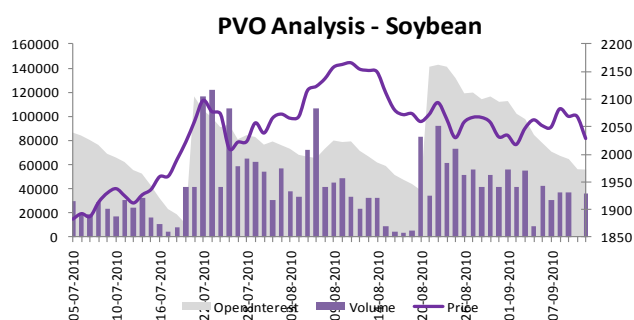
**Sell October in the range of 2070 – 2060 targeting 2010 – 1987 with STRICT stop loss of 2098**

The soybean futures traded in a very thin range last week. Initially, prices declined based on bearish fundamental factors. Reports of active rainfall across major growing areas boosted the crop condition. This raised the hopes of better crop this year amidst lower acreage. Yield levels are expected to be at record level this year. Commencement of fresh soybean harvesting in few places also had a bearish impact on the market. Overall market was in choppy trend ahead of long week end holidays. In second half of the week, prices regained on short covering. Investors and traders liquidated their positions ahead of long week end. USDA's crop report scheduled for last Friday also kept the market in range bound level. However, the sentiment remained bearish on anticipation of better crop. Though India traders got fresh soy meal export orders, it failed to make significant impact on the market.

### Futures

NCDEX (₹/Quintal)									
Contract	Open	High	Low	Close	% Change	Volume	% Change	Open Interest	% Change
Sep-10	2068.00	2085.50	2045.00	2069.00	0.32	147420	-47.16	56160	-27.66
Oct-10	2079.00	2093.00	2047.50	2080.50	0.65	146460	-25.04	94370	15.89
Nov-10	2076.00	2095.00	2051.00	2076.50	0.48	108040	-28.07	91440	-8.37
Dec-10	2094.00	2112.00	2072.50	2097.50	0.58	23190	-56.69	42720	12.33

### Derivatives



### Outlook

The soybean futures are projected to trade on a negative note during the week on follow through selling. Spot markets are likely to witness increased arrivals after a long holiday. Since the crop is nearing its maturity stage, farmers may sell their stock in the spot market. Soybean production in 2010-11 season is likely to be more or less same as that of last year despite lower acreage. Favourable weather condition in the months of July and August boosted the crop condition. The crop is getting ready for harvesting and we may see fresh arrivals by mid-September. Harvesting is underway in Maharashtra and is likely to move to market in couple of days. Indian Meteorological Department has projected September month rainfall would be 115% of Long Period Average (LPA) with a model error of  $\pm 15\%$ . 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 keep prices down. As per latest sowing data available, India's soybean acreage is 9.3 million hectares, down 2.11% Y/Y. Any major soy meal export deals during the week might reverse the direction. Soybean futures on CBOT are likely to trade lower on projection of record crop. In its

September month WASDE report, USDA raised US soybean production by 50 million bushels to 3.483 billion bushels. Higher projection was made based on improvement in yield level.

## Spread Matrix

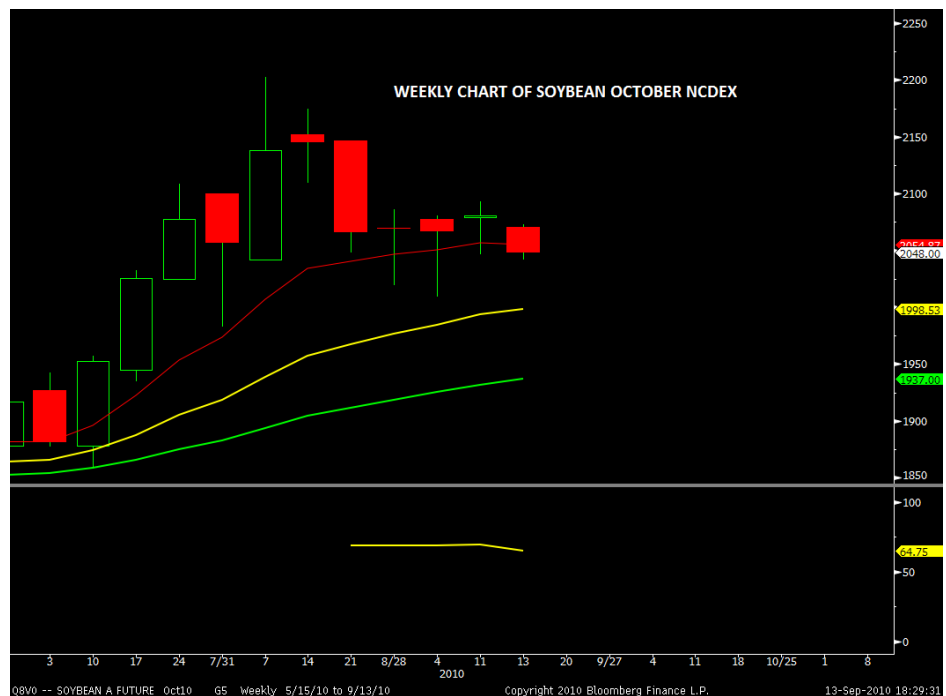
Spread Matrix				
	Sep-10	Oct-10	Nov-10	Dec-10
Sep-10	0			
Oct-10	11.5	0		
Nov-10	7.5	-4	0	
Dec-10	28.5	17	21	0

## Pivot table

	Contract	S2	S1	PREV CLOSE	R1	R2
NCDEX Soybean	Sep-10	2026	2048	2069	2088	2107
	Oct-10	2028	2054	2081	2100	2119
	Nov-10	2030	2053	2077	2097	2118
	Dec-10	2055	2076	2098	2116	2134
	Jan-11	2075	2093	2110	2128	2145

## Technical analysis

NCDEX Soybean Oct closed flat at Rs. 2080.50 last week. The Doji candle stick formation was there suggesting indecisive mode for the coming week. If market trades and sustains below previous high of Rs. 2093 then the market may come down for the coming week also. In the daily chart we note that it is on the verge of forming a Complex Head and shoulders pattern. However, the pattern is still not confirmed yet as it has not given the breakout below the neck line of Rs. 2010. The momentum Oscillator RSI - 14 is at 0.56 levels suggesting the trend may remain bearish for the week.



For the coming week we suggest **low risk traders to stay away**

from the market while high risk traders can enter into the market for short position with strict stop loss.

## Refined Soy Oil

**Strategy: SELL**

**NCDEX Ref soyoil Oct: Sell 492-493 targeting 482 with strict stoploss of 498**

The refined soy oil futures displayed a mixed trend last week. In early part of the week, prices tumbled on bearish factors like higher inventory and poor demand from retail sector. Nearing of new soybean harvesting season also had a bearish impact on the market. Indian market moved in line with weak international market. Rising inventory, slowing demand and record US soybean harvest led the CBOT soy oil futures to show a negative trend. On domestic front, poor retail demand amid festive season kept the market in bearish zone for most part of the week. Towards end of the week, prices recouped from weekly lows on short covering. Recovery in international edible oil market also supported the Indian market.

NCDEX (₹/10 Kg)									
Contract	Open	High	Low	Close	% Change	Volume	% Change	Open Interest	% Change
Sep-10	491.80	493.50	481.50	483.60	-1.39	185410	-61.17	55840	-22.22
Oct-10	495.05	497.40	486.30	490.55	-0.70	449690	47.08	127620	16.12

### Outlook

The refined soy oil futures are expected to trade on a negative note during this week on extended selling pressure backed by bearish fundamental factors. Bumper crop forecast in US and India is likely to have a bearish impact on the Indian market. Poor demand from retail sector is leading to build up in inventory, hence, prices are likely to remain in negative territory. 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. Commencement of fresh harvesting in Maharashtra is likely to add bearishness to the market. International edible oil market is likely to trade lower on bearish fundamental factors. US soy oil inventory are higher and demand is slowing down thereby resulting into fall in the prices. US soybean crop is maturing and getting ready for harvesting.

### Pivot table

	Contract	S2	S1	PREV CLOSE	R1	R2
NCDEX Soy Oil	Sep-10	474	479	483.60	491	498
	Oct-10	480	485	490.55	497	503
	Nov-10	480	485	489.60	495	500

### Spot price

Date	Soy Oil Ex Factory Indore (₹/Tonne)	Soy Oil Spot Indore (₹/Tonne)	Soy Oil Refined (₹/Tonne)	Soy Oil Degum Spot Ex-Mumbai (₹/Tonne)	Soy Oil Crude Ready Mumbai (₹/Tonne)	Soy Oil Solvent Indore (₹/Tonne)	CIF Mumbai Soy Oil Degum (\$/Tonne)
01-09-2010	43000	43400	47700	43800	43800	43000	940
03-09-2010	43000	42800	47000	43800	44000	43400	946
06-09-2010	43000	43400	47500	44000	44400	42800	960
07-09-2010	43000	43000	47500	44000	44200	42800	962
08-09-2010	44000	42800	48000	44500	44700	42900	965
09-09-2010	44000	42700	48000	44700	44700	42900	970

## Parity

<b>Particulars</b>		<b>Brazil</b>	<b>Argentina</b>
FOB Value (\$/t)		935.90	930.00
Freight	60	60.00	60.00
Insurance @1% on FOB	1%	9.36	9.30
CIF Value		1005.26	999.30
Customs Duty (Calculated on tariff value @ \$580/tonne)	0	0	0
Convert (\$ to Rs)	46.26	46503.28	46227.62
Landing Charges		1200.00	1200.00
Landed cost at Indian ports		47703.28	47427.62
Landed cost at Indian ports per 10 kg		477.03	474.28

## RM seed

Strategy: **SELL**

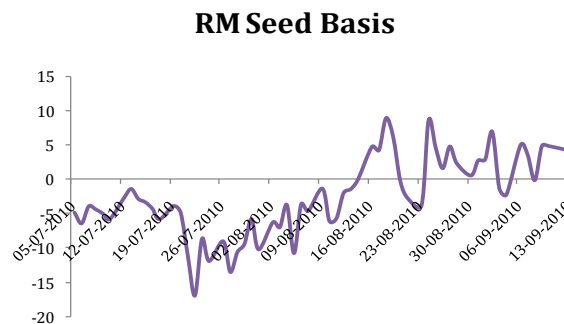
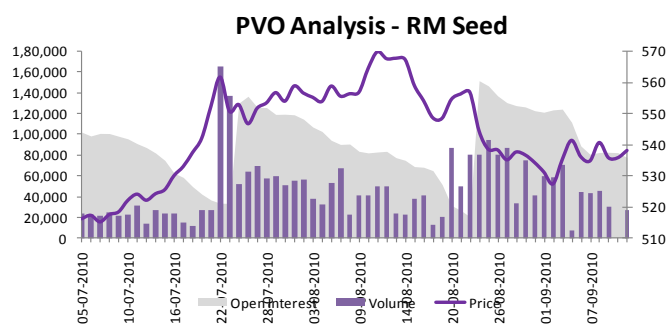
**NCDEX RMSEED Oct: Sell 547 targeting 538 with Strict stop loss of 550**

The mustard seed futures fell during first two days of the week on emergence of selling pressure. Weakness in entire oil and oilseeds market had a spill over effect on the market. Rising warehouse stocks and poor buying interest in the spot market was the major reason for the fall. Sluggish demand for the seed in the spot market from crushers kept the market in red. Lower crush margin prompted crushers to stay away from active buying. However, in last two trading sessions of the week, prices recovered from earlier losses on short covering.

### NCDEX futures

NCDEX (₹/20 Kg)										
Contract	Open	High	Low	Close	% Change	Volume	% Change	Open Interest	% Change	
Sep-10	542.00	542.70	531.30	535.85	-1.03	163700	-54.10	77260	-3.76	
Oct-10	549.00	549.30	539.00	544.00	-0.78	174650	-34.40	87220	-2.35	
Nov-10	554.50	556.20	546.00	551.05	0.42	62660	-79.46	29440	-43.85	

### Derivatives



### Outlook

The mustard seed futures are expected to trade on a negative note during the week ahead based on bearish fundamental factors. Anticipation of record oilseeds production due to higher acreage and favourable weather condition is likely to keep prices down. IMD has projected better rainfall for the month of September, which will increase the soil moisture and lead to early sowing of Rabi mustard seed. 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. As on 8th September, NCDEX warehouses are having a stock of 120,121 tons. Bearishness in soy market is likely to its effect on mustard seed futures market.

### Spread Matrix

Spread Matrix			
	Sep-10	Oct-10	Nov-10
Sep-10	0		
Oct-10	8.15	0	
Nov-10	15.2	7.05	0

### Pivot Table

	Contract	S2	S1	PREV CLOSE	R1	R2
RM Seed	Sep-10	525	531	535.85	542	548
	Oct-10	534	539	544.00	549	554
	Nov-10	541	546	551.05	556	561

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