

25-30 October 2010

## Soybean

Strategy: **BUY**

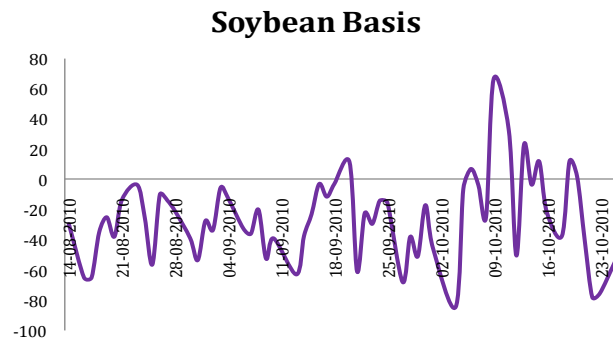
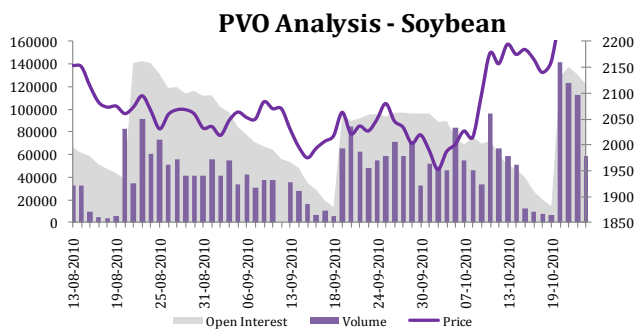
**Soybean Nov NCDEX: Buy at 2170-80 TP 2280 SL 2125**

The soybean futures on Indian exchanges advanced their bullish trend for third consecutive week and prices rallied near to their contract high. Strong buying interest from local traders and crushers supported the price rise during the week. An encouraging oil meal export demand for India has been prompting crushers to buy soybeans from the spot and futures market. Robust oil meal export demand—indicated by rise in export in September—attracted crushers to go for aggressive buying of beans from spot as well as futures market. According to the Solvent Extractors Association of India, oil meal export in September rose 53% Y/Y and 45% M/M. Though spot markets witnessed huge inflow of the produce, millers demand supported the prices rise during the week. Indian market also took cues from the strong overseas market. CBOT soy market advanced its positive trend on bullish fundamental factors like tight supply and robust export demand from China. However, towards end of the week, prices shed some of the gains on profit booking.

### Futures

NCDEX (₹/Quintal)										
Contract	Open	High	Low	Close	% Change	Volume	% Change	Open Interest	% Change	
Nov-10	2181.00	2278.00	2153.50	2228.50	1.60	633990	-22.22	121770	2.48	
Dec-10	2210.00	2330.00	2184.50	2265.50	1.91	427250	31.90	137890	59.82	
Jan-11	2235.00	2364.50	2215.50	2306.00	2.26	92270	32.51	48270	57.39	
Feb-11	2259.50	2390.00	2248.00	2343.00	2.63	16870	-52.55	17920	15.39	

### Derivatives



### Outlook

The soybean futures are expected to show a moderate correction in early part of this week on long liquidation. The active November contract soybean futures prices have risen by 16% in last three weeks; hence, a moderate correction is expected this week. However, bullish fundamental factors are likely to limit the fall and might result into fresh buying at lower levels. Spot markets across Madhya Pradesh are witnessing average daily arrivals of 4-4.5 lakh bags and same is likely to continue for next week. Though the soybean production is projected higher for this year, robust oil meal export demand is likely to support the prices. Indian traders are expecting fresh meal export orders during the week. The Soybean Processors Association of India has estimated soybean production at 10.13 million tons much higher than the forecast to Solvent Extractors Association. Narrow down in parity price of soy meal between India and Brazil-Argentina is attracting importing nations to source their meal demand from India. Before start of the season, Indian traders have signed deals for export of around 1.2-1.5 lakh tons of soy meal. Indian traders are offering soy meal at lower price

compared to other countries. This may attract fresh export enquiries in near term. India's oil meal export data has been showing a growth Y/Y for last 2-3 months and is likely to continue in near-term.

## Spread Matrix

Spread Matrix					
	Spot	Nov-10	Dec-10	Jan-11	Feb-11
<b>Spot</b>	0				
<b>Nov-10</b>	-42.50	0			
<b>Dec-10</b>	1.50	37	0		
<b>Jan-11</b>	-29.50	77.5	40.5	0	
<b>Feb-11</b>	-157.00	114.5	77.5	37	0

## Crush margin

	Ready	Nov	Dec	Jan
Soybean	21740	22285	22655	23060
Cost	22690	23235	23605	24010
Refined Soy Oil	521.35	531.00	536.80	494.70
Solvent Oil	465.28	474.45	479.96	439.97
Oil Share	9305.65	9489.00	9599.20	8799.30
DOC Ex-Kandla	17800.00	17800.00	17800.00	17800.00
DOC Ex-Indore	16600.00	16600.00	16600.00	16600.00
Meal Share	13280.00	13280.00	13280.00	13280.00
Realization	22585.65	22769.00	22879.20	22079.30
<b>Margin</b>	<b>-104.35</b>	<b>-466.00</b>	<b>-725.80</b>	<b>-1930.70</b>

## Soy meal prices

	22-10-2010	21-10-2010	20-10-2010	19-10-2010	18-10-2010	15-10-2010
FOR Mumbai PP Bags (₹/MT)	18925.00	18925.00	18525.00	18525.00	18325.00	18625.00
FOR Bedi Bunder (₹/MT)	18775.00	18775.00	18375.00	18375.00	18175.00	18475.00
FOR Kakinada (₹/MT)	18875.00	18875.00	18475.00	18475.00	18275.00	18575.00
Spot (45-46% Protein) (₹/MT)	17825.00	17825.00	17425.00	17425.00	17225.00	17525.00
Spot (48% Protein) (₹/MT)	17925.00	17925.00	17525.00	17525.00	17325.00	17625.00
FAS Mumbai (\$/MT)	395.50	395.50	388.50	388.50	384.50	390.50
FAS Bedi Bunder (\$/MT)	398.50	398.50	391.50	391.50	387.50	393.50
FAS Kakinada (\$/MT)	400.50	400.50	393.50	393.50	389.50	395.50
FOR Bedi Bunder (\$/MT)	386.50	386.50	379.50	379.50	375.50	381.50
FOR Kakinada (\$/MT)	388.50	388.50	381.50	381.50	377.50	383.50

## Refined Soy Oil

**Strategy: BUY**

**NCDEX Ref soy oil Nov: Buy at 516-18 TP 540 SL 505**

The refined soy oil futures advanced its rally and made a new yearly high last week on strong buying interest. A rally in international market—driven by tight supply—lent support to the Indian market. Traders bought futures anticipating festival season in India would drive the demand for oil. Though stock of soy oil is high, prices rose on strong demand ahead of festive season in India. Rise in landed cost of soy oil due to increasing international price also supported the rise in the prices. Indian market took cues from the strong Malaysian palm oil prices, which touched MYR3000 per ton on robust export demand.

NCDEX (₹/10 Kg)									
Contract	Open	High	Low	Close	% Change	Volume	% Change	Open Interest	% Change
Oct-10	519.10	535.80	515.70	531.00	1.64	773690	-9.19	136430	-3.62
Nov-10	525.60	543.20	521.50	536.80	1.43	222030	45.36	101790	42.26

### Outlook

The refined soy oil futures are projected to take a smart correction during early part of the week on long liquidation. Since the prices have risen by 12% in last three weeks, so a moderate correction is expected. However, later market might resume uptrend based on bullish fundamental factors. Indian market is likely to move in line with strong overseas market. Domestic market is likely to move higher on festive demand. Tight supply and robust export demand has been supporting CBOT soy oil and Malaysian palm oil futures prices. Palm oil futures have touched MYR3000 per ton last week and is likely to extend its gains on rise in export demand. According to Intertek Agri Services, palm oil export from Malaysian during 1<sup>st</sup> to 20<sup>th</sup> October rose 4.2% M/M to 944,700 tons. Robust demand for soybean and its derivatives from China is likely to push the CBOT soy oil prices higher.

### Spot price

	22-10-2010	21-10-2010	20-10-2010	19-10-2010	18-10-2010	15-10-2010
Soy Oil Spot Indore (₹/10 kg)	467.00	460.00	462.00	455.00	457.00	465.00
CIF Mumbai Soy Oil Degum (\$/MT)	1140.00	1140.00	1120.00	1122.00	1115.00	1125.00
Soy Oil Degum Spot Ex-Mumbai (₹/10 kg)	482.00	480.00	465.00	469.00	460.00	468.00
Solven Plant Delivery (₹/10 kg)	468.50	465.50	455.50	454.50	452.50	460.50
Solvent Market Delivery (₹/10 kg)	471.50	468.50	458.50	457.50	455.50	463.50
Refined Plant Delivery (₹/10 kg)	497.50	495.50	487.50	484.50	482.50	489.50
Refined Market Delivery (₹/10 kg)	499.50	497.50	489.50	486.50	484.50	491.50

### Landed cost of Brazilian Soy Oil

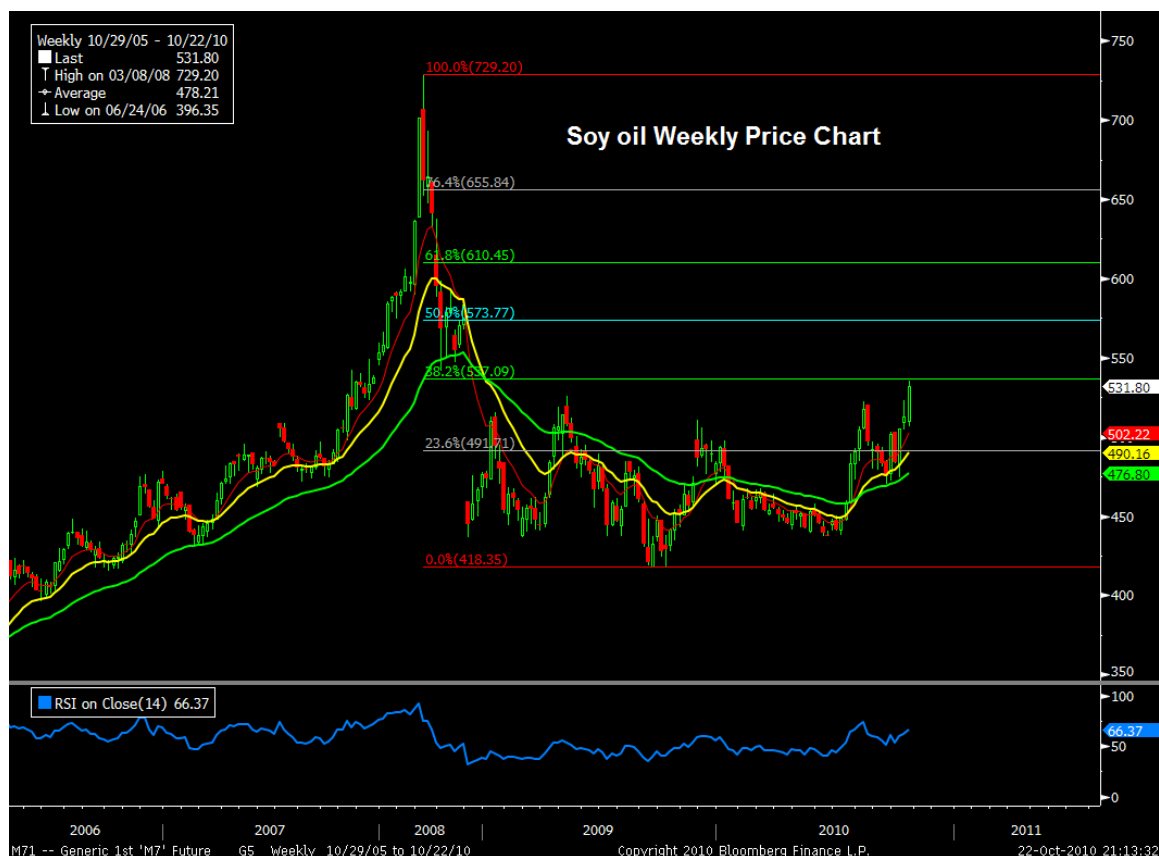
	22-10-2010	21-10-2010	20-10-2010	19-10-2010
FOB Value (\$/t)	1082.50	1081.20	1086.20	1056.00
Freight	60	60	60	60
Insurance @1% on FOB	10.83	10.81	10.86	10.56
CIF Value	1153.33	1152.01	1157.06	1126.56
Customs Duty (Calculated on tariff value @ \$580/tonne)	0	0	0	0
Currency USDINR	44.5000	44.3050	44.2300	44.3500
Convert (\$ to Rs)	51323	51040	51177	49963
Landing Charges	800	800	800	800
Landed cost at Indian ports	52122.96	51839.89	51976.85	50762.94
<b>Landed cost at Indian ports per 10 kg</b>	<b>521.23</b>	<b>518.40</b>	<b>519.77</b>	<b>507.63</b>

## Landed cost of Argentina Soy Oil

	22-10-2010	21-10-2010	19-10-2010
FOB Value (\$/t)	1078.00	1082.00	1054.00
Freight	60	60	60
Insurance @1% on FOB	10.78	10.82	10.54
CIF Value	1148.78	1152.82	1124.54
Customs Duty (Calculated on tariff value @ \$580/tonne)	0	0	0
Currency USDINR	44.5000	44.3050	44.3500
Convert (\$ to Rs)	51121	51076	49873
Landing Charges	800	800	800
Landed cost at Indian ports	51920.71	51875.69	50673.35
<b>Landed cost at Indian ports per 10 kg</b>	<b>519.21</b>	<b>518.76</b>	<b>506.73</b>

### Technical analysis

Soy oil futures prices traded completely higher on last week. It made a high of 535.75 and settled higher at 531.05 levels. Soy oil is witnessing supports at 523-25 levels which are the highs of the previous swings. The principle of Fibonacci retracement states that soy oil is witnessing resistance at 537.10 levels which is 38.2% retracement of the range (418.35-729.20). On breach above it is potential for the market to test next resistance at 573.80 levels which happens to be 50% retracement of the above same range in the near future. The momentum indicator RSI 14 daily is trading at 0.663 showing higher potential for the prices to trade higher. As prices are trading well above the short term and the Midterm EMA's suggests prices to trade higher for the coming week. We recommend buying at support levels.



## RM seed

Strategy: **BUY**

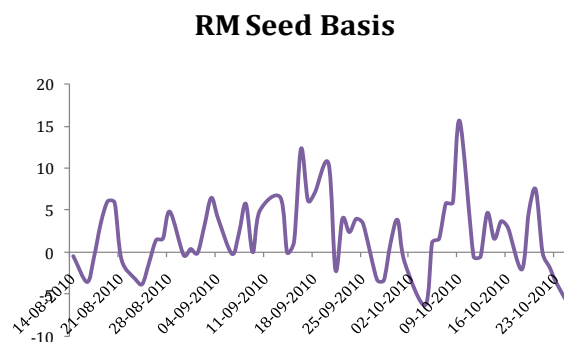
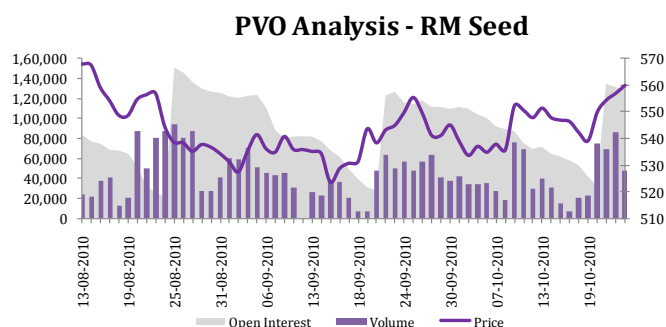
**NCDEX RM SEED Nov: Buy at 550-51 TP 565/570 SL 535**

Mustard seed futures traded on a weaker note in early part of last week based on bearish fundamental factors. Commencement of Rabi sowing and anticipation of rise in acreage had a bearish impact on the market. However, in later part of the week, prices recovered on short covering and speculative buying at lower levels. Positive trend in soy market rendered support to the mustard seed market. Central government gave its nod to marginal hike in MSP for mustard seed. This also had a mild support to the market. However, spot markets witnessed subdued trading in absence of active participation from the crushers.

### NCDEX futures

NCDEX (₹/20 Kg)									
Contract	Open	High	Low	Close	% Change	Volume	% Change	Open Interest	% Change
Oct-10	552.75	560.50	543.50	559.85	0.93	406550	-0.86	129200	-0.78
Nov-10	560.20	568.00	550.20	567.45	1.08	147110	119.63	65170	121.44
Dec-10	565.00	571.10	555.10	570.70	0.78	23550	120.71	23630	66.76

### Derivatives



### Outlook

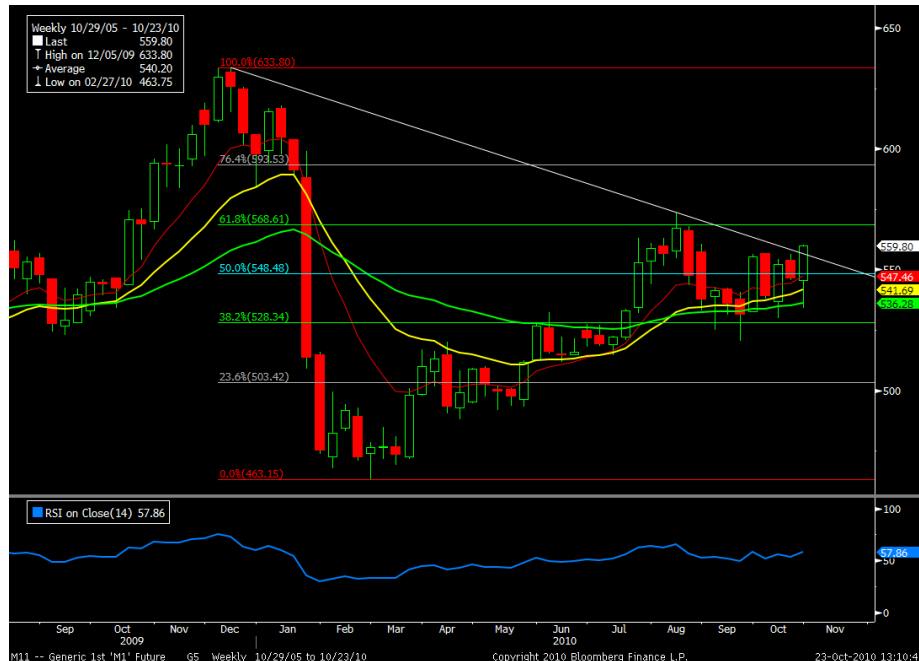
The mustard seed futures are projected to trade on a positive note in the week ahead on follow through buying. Firm trend in soy market is likely to render support to the mustard seed market. This commodity has missed the rally witnessed for soy market, hence, we may see an emergence of fresh buying. Though Rabi sowing has started it may have a little impact in short term. Central government approved for marginal hike in MSP by ₹20 to ₹1850 per quintal for upcoming Rabi season. Acreage will depend upon weather condition despite marginal hike in MSP. Festive demand for edible oil might also support the prices during the week. Encouraging oil meal export demand is also one of the bullish factors for the market.

### Spread Matrix

Spread Matrix			
	Oct-10	Nov-10	Dec-10
Oct-10	0		
Nov-10	7.6	0	
Dec-10	10.85	3.25	0

## Technical analysis

RM Seed futures prices traded completely higher on last week. It made a high of 560.4 levels and settled higher at 559.8 levels. RM Seed breached the weekly trend line resistance at 557 levels. The principle of Fibonacci retracement states that market has breached and sustained at 548.50 levels which is 50% retracement of the range (463.15-633.80) levels. Market is witnessing the next resistance at 568.5 levels which is 61.8% retracement of the above same range. The momentum indicator RSI 14 is trading at 0.569 showing higher potential for the prices to trade upside. Market is trading well above the short term EMA's and Midterm EMA's suggests prices to trade higher for the coming week. However a mild correction is expected before resuming its uptrend. Hence, we recommend buying at support levels.



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