

21-26 Mar 2011

Soybean (Buy)

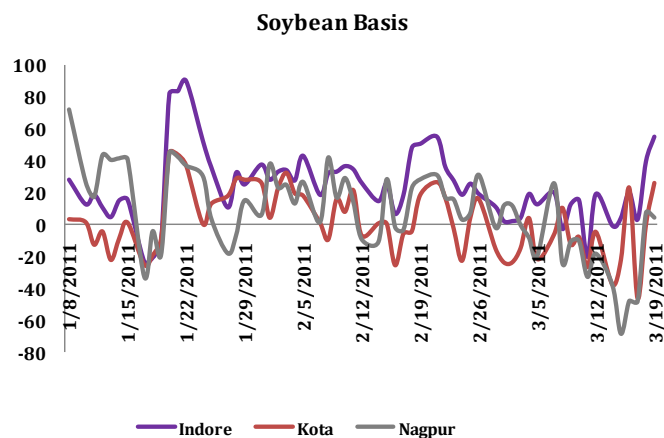
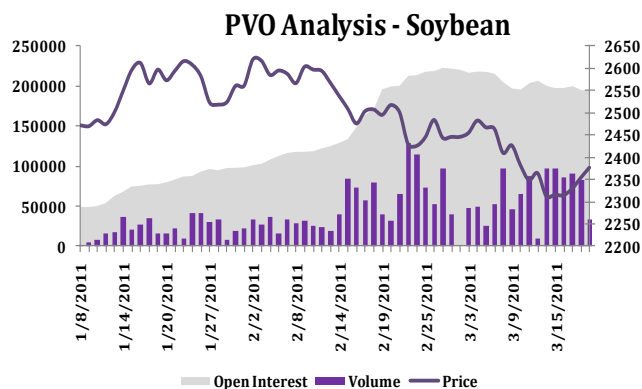
NCDEX APR: Buy at 2330-2345 TP 2410 then 2440 SL 2290

The soybean futures on Indian exchanges traded on a weaker note in early last week as per our expectation. We had recommended selling April futures in the range of 2390-2405 targeting 2330 then 2290 with stop loss at 2460. This recommendation had achieved both the target but initiation level was missed. Indian market saw continued selling pressure in early last week based on bearish activity. Sluggish demand from crushers and traders' amidst thin supplies had a bearish impact on the market. Indian market was moving in line with weak overseas market. CBOT soy market was under pressure on expectation of larger crop in Brazil and declining demand for agriculture commodities due to ongoing geo-political tension in Middle East and North Africa. However, in later part of the week, prices started recovering on short covering and on emergence of buying interest. Supply and transportation delay in Brazil due to heavy rains and projection of tight ending stock gave underlying support to the CBOT soy market. On domestic front, traders, investors and crushers bought soybeans anticipating revival in Japanese demand once the country comes out from natural calamities. Japan is the largest export destination for India's soy meal export.

Futures

Contract	NCDEX (₹/Quintal)									
	Open	High	Low	Close	% Change	Volume	% Change	Open Interest	% Change	
Apr-11	2349.50	2379.00	2270.50	2376.00	0.53%	487500	22.10%	193780	-5.94%	
May-11	2385.50	2412.00	2300.00	2407.50	0.25%	278040	71.46%	148950	16.60%	
Jun-11	2405.00	2439.50	2320.00	2431.00	0.21%	101850	70.86%	58010	24.03%	
Jul-11	2425.00	2458.00	2340.00	2448.50	0.35%	48110	481.04%	22600	38.48%	

Derivatives



Outlook

The soybean futures are forecast to trade on a positive note this week on follow through buying supported by strong overseas market. Domestic traders are likely to buy futures anticipating revival in meal export demand. Traders are optimistic about resumption in Japanese demand in the near term. Japan is the largest export destination for India. Recovery in the crush margin is attracting crushers to go for aggressive bean procurement. Likely delay in harvesting and transportation of soybean in Brazil due to heavy rains is likely to act as advantageous factor for India. South East Asian countries are likely to buy meal from India. Crush margin is maintaining above ₹1200 a ton thereby attracting crushers to go aggressive bean buying. Spot markets are likely to witness active buying interest from stockists and crushers. Indian market is likely to move in line with firm international market. CBOT soybean futures are likely to trade higher on bullish demand outlook and tight ending stock. Heavy rainfall in Brazil has been disturbing harvesting

and transportation of Soybean to the ports. This is resulting into shift in demand to US. A rally in international crude oil market is another bullish factor for the market. Projection of tight ending stock and traders intention to rise soybean price to induce farmers to take up more bean planting in upcoming season is likely to push up the prices.

Technical analysis

Soybean April future prices initially traded lower after making a weekly low of 2270 it started recovering and settled higher at 2376 levels. Candlestick principle suggests upside movements could be possible for this week. Market is hovering near resistance of 2358 (23.6% retracement of the range 2270-2642). A daily closing above the same lead the prices to move higher and the upside potential is seen till 2412 levels. In daily chart prices are hovering above the 8 day EMA and heading towards 21 and 34 EMA's suggests upside movements. RSI (14) daily is at 0.38



Prices are hovering in a trend channel and witnessing a support near 2270 levels, which may help the prices to move higher for short term. Overall, we expect prices to move higher for this week and recommend buying near support levels.

Spread Matrix

Spread Matrix						
	Spot	Apr-11	May-11	Jun-11	Jul-11	
Spot	0.00					
Apr-11	-55.00	0				
May-11	-86.50	31.5	0			
Jun-11	-110.00	55	23.5	0		
Jul-11	-127.50	72.5	41	17.5	0.00	

Crush Margin

	Ready Indore	Apr	May	Jun
Soybean	23210	23760.00	24075.00	24310.00
Cost	24160.00	24710.00	25025.00	25260.00
Refined Soy Oil	609.00	620.60	627.45	632.15
Solvent Oil	579.00	590.60	597.45	602.15
Oil Share	11580.00	11812.00	11949.00	12043.00
DOC Ex-Kandla	18300.00	18300.00	18300.00	18300.00
DOC Ex-Indore	17100.00	17100.00	17100.00	17100.00
Meal Share	13680.00	13680.00	13680.00	13680.00
Realization	25260.00	25492.00	25629.00	25723.00
Margin	1100.00	782.00	604.00	463.00

Spot - Soy Meal

	3/18/2011	3/17/2011	3/16/2011	3/15/2011	3/14/2011
FOR Mumbai PP Bags (₹/MT)	18475.00	18125.00	18025.00	18125.00	18225.00
FOR Bedi Bunder (₹/MT)	18325.00	17975.00	17875.00	17975.00	18075.00
FOR Kakinada (₹/MT)	18425.00	18075.00	17975.00	18075.00	18175.00
Spot (45-46% Protein) (₹/MT)	17375.00	17025.00	16925.00	17025.00	17125.00
Spot (48% Protein) (₹/MT)	17475.00	17125.00	17025.00	17125.00	17225.00
FAS Mumbai (\$/MT)	377.50	371.50	369.50	371.50	373.50
FAS Bedi Bunder (\$/MT)	380.50	374.50	372.50	374.50	376.50
FAS Kakinada (\$/MT)	382.50	376.50	374.50	376.50	378.50
FOR Bedi Bunder (\$/MT)	368.50	362.50	360.50	362.50	364.50
FOR Kakinada (\$/MT)	370.50	364.50	362.50	364.50	366.50
Argentina FOB (\$/MT)	386.47	375.33	370.98	370.15	398.81
Brazil FOB (\$/MT)	391.50	385.80	377.30	368.10	383.83

Refined Soy Oil (Buy)

NCDEX APR: Buy at 614-616 TP 623 then 630 SL 606

The refined soy oil futures traded on a weaker note in early last week extending its penultimate week's decline on continued selling pressure. Indian market moved in with weak overseas market. Domestic traders and investors were on selling spree on expectation of decline in demand for soy oil during summer months. Lack of physical demand and rise in soy oil import on February month added bearishness to the market. Weak trend in international market on Middle East concern also exerted pressure on Indian market. CBOT soy oil and BMD palm oil futures witnessed a sharp decline on expectation of shrink in demand for the produce. Larger crop expectation in Brazil also had a bearish impact on the market. However, in second half of the week, prices recovered on short covering and emergence of buying interest. A rally in crude oil prices attracted soy oil as an alternate energy source. Tight ending stock and bullish demand outlook also supported recovery in the prices.

NCDEX (₹/10 Kg)

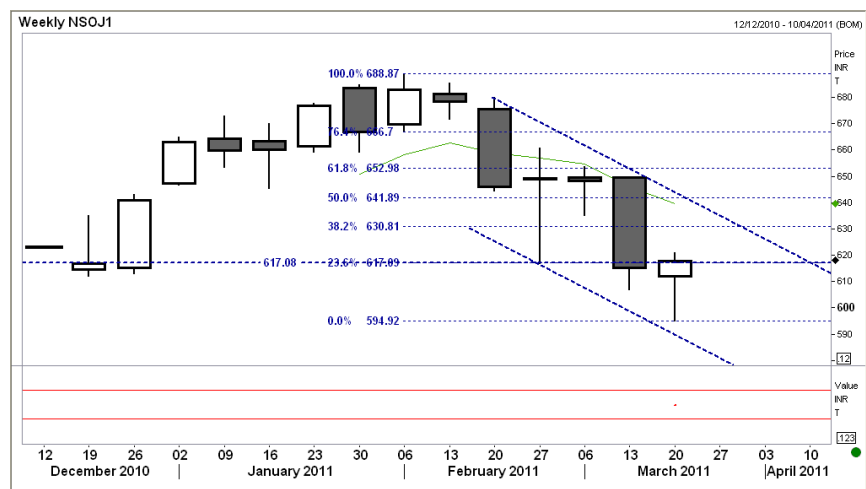
Contract	Open	High	Low	Close	% Change	Volume	% Change	Open Interest	% Change
Apr-11	611.65	621.00	595.00	620.60	0.93%	747790	13.77%	93880	3.47%
May-11	617.10	628.30	598.00	627.45	0.73%	318910	97.75%	43430	-8.59%
Jun-11	621.55	633.00	601.10	632.15	0.46%	81830	119.97%	31140	6.10%

Outlook

The refined soy oil futures are expected to trade on a positive note in this week on follow through buying. Traders and investors are likely to buy oil futures on expectation of recent fall is looking overdone. Likely delay in harvesting and transportation of soybeans in Latin America due to unfavourable weather condition might result into delay in arrival of import consignments to India. Indian market is likely to move in line with firm international market, which is likely to move taking cues from strong crude oil market. Global markets are likely to trade positive on expectation of revival in global demand once geo-political in North Africa & Middle East and natural calamity in Japan turns into normal. BMD palm oil futures are likely to trade higher on strong demand outlook and declining stock level. According to Solvent Extractors Association of India, soy oil import during Nov'10-Feb'11 declined 32% Y/Y to 259,855 tons.

Technical analysis

Soy oil April future prices recovered from a weekly low of 595 levels. After making a high of 621 it settled at 620.60 levels. Market is expected to move higher for this week and having a supports near 617 then 612 levels, which are the crucial levels for this week. Prices are hovering in a trend channel and expected to move upside till 627 levels. Currently prices are trading above the daily 8 EMA and heading towards 21 and 34 EMA's suggesting upside movements. As per fibonacci principle support is at 617(23.6% retracement of the range 688-594) levels. Sustained trade above the same lead the prices to remain higher and the upside potential is seen till 630 levels (38.2%). RSI (14) daily is at 0.41 levels and started moving higher. Overall, analysis suggests prices are expected to move higher and recommend buying near support levels.



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 Crude Indore (₹/Tonne)	CIF Mumbai Soy Oil Degum (\$/Tonne)
3/8/2011	58000	55500	62000	58500	61500	57400	1338
3/9/2011	59000	55000	62000	58000	61500	58600	1335
3/10/2011	57000	54900	62000	57500	59500	57900	1300
3/16/2011	56000	53000	60500	56500	59000	57500	1228
3/17/2011	56000	54200	60500	56500	58000	56500	1230
3/18/2011	56000	55000	60500	57000	57500	56500	1255

Soy oil parity

Landed cost of Brazilian Soy Oil

	3/18/2011	3/16/2011	3/15/2011	3/14/2011	3/11/2011
FOB Value (\$/t)	1197.60	1172.40	1172.40	1225.10	1234.40
Freight	60	60	60	60	60
Insurance @1% on FOB	11.98	11.72	11.72	12.25	12.34
CIF Value	1269.58	1244.12	1244.12	1297.35	1306.74
Customs Duty (Calculated on tariff value @ \$580/tonne)	0	0	0	0	0
Currency USDINR	45.0000	45.1100	45.1600	45.7050	45.1750
Convert (\$ to Rs)	57131	56122	56185	59295	59032
Landing Charges	1200	1200	1200	1200	1200
Landed cost at Indian ports	58330.92	57322.43	57384.64	60495.43	60232.16
Landed cost at Indian ports per 10 kg	583.31	573.22	573.85	604.95	602.32

Landed cost of Argentina Soy Oil

	3/18/2011	3/17/2011	3/15/2011	3/14/2011
FOB Value (\$/t)	1193.00	1150.00	1160.00	1210.00
Freight	60	60	60	60
Insurance @1% on FOB	11.93	11.50	11.60	12.10
CIF Value	1264.93	1221.50	1231.60	1282.10
Customs Duty (Calculated on tariff value @ \$580/tonne)	0	0	0	0
Currency USDINR	45.0000	45.1400	45.7050	45.7050
Convert (\$ to Rs)	56922	55139	56290	58598
Landing Charges	1200	1200	1200	1200
Landed cost at Indian ports	58121.85	56338.51	57490.28	59798.38
Landed cost at Indian ports per 10 kg	581.22	563.39	574.90	597.98

RM seed

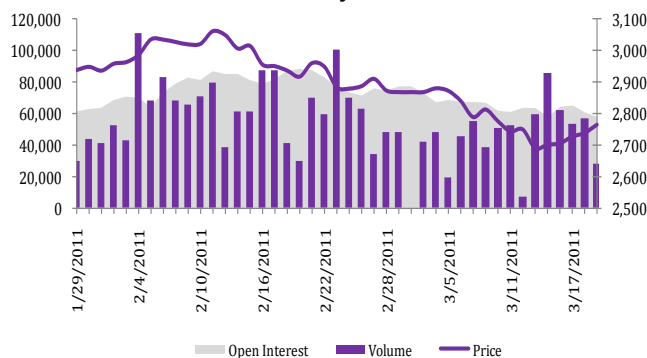
The mustard seed futures traded on a weaker note in early last week extending its penultimate week's losses on extended selling pressure. Bearish fundamental factors like increasing inflow of fresh produce and sluggish buying interest in the spot market had bearish impact on the market. Weak trend in the soybean market also had a bearish effect on the market. However, in later part of the week, prices recovered from their earlier losses on short covering. Fresh buying was seen in the futures market on expectation of recent fall is looking overdone. Recovery in soy futures market gave underlying support to the mustard seed futures.

NCDEX futures

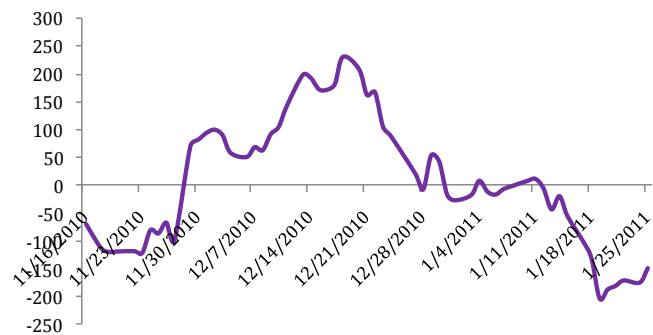
NCDEX (₹/Quintal)									
Contract	Open	High	Low	Close	% Change	Volume	% Change	Open Interest	% Change
Apr-11	2743.00	2772.00	2665.00	2766.00	0.55%	346350	29.11%	57430	-9.29%
May-11	2783.00	2815.00	2701.00	2809.00	0.64%	464330	57.34%	115640	3.35%
Jun-11	2822.00	2860.00	2723.00	2857.00	0.70%	28260	60.75%	15410	66.59%

Derivatives

PVO Analysis - RM Seed



RM Seed Basis



Outlook

The mustard seed futures are projected to trade on a positive note on follow through buying. Positive trend in soy market is likely to render support to the mustard seed market. Traders and investors are likely to buy futures anticipating recent fall is looking overdone. However, in later part of the week, prices might resume downtrend based on bearish fundamental factors. Increasing inflow of fresh produce and lack of active buying interest from crushers is likely to keep the prices under pressure. Spot markets across India are witnessing an average daily arrival of 3-4 lakh bags and it is likely to increase further. Bumper crop expectation this year on higher acreage and favourable weather condition might result into fall in the prices. According to the Central Organization for Oil Industry and Trade, mustard seed production in 2010-11 is likely to be 70 lakh tons against 59.3 lakh tons. Acreage of mustard seed has increased considerably following favourable weather condition. Higher price of mustard is also attracting farmers to grow more mustard this year.

Spot price

Date	Mustard Seed	Mustard Seed	Mustard Oil	Mustard Oil
	Rajasthan	Delhi	Jaipur	Mumbai
3/8/2011	28500	27900	59000	62200
3/9/2011	28500	27600	58600	61700
3/10/2011	27800	26900	59200	61000
3/16/2011	27400	26750	57800	61700
3/17/2011	27400	27400	59000	60800
3/18/2011	27400	27500	58500	61500

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