Oil and Oilseeds Weekly

KARVY COMTRADE LIMITED

28th March – 2nd April 2011

Soybean (Bearish)

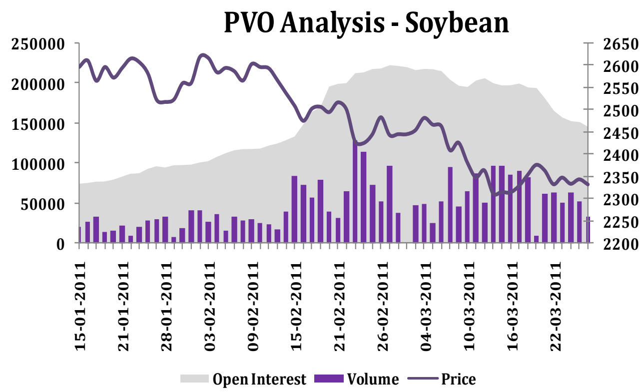
The Indian soybean futures opened on a firm note last week extending its penultimate week-end's gains on continued short covering. Fresh buying was also seen in the futures and spot market on expectation of revival in export demand for the soy meal. However, market failed to continue its uptrend in later mid of the week and resumed downward movement on emergence of selling pressure. Lack of trade participation from traders and crushers ahead of financial year ending had a bearish impact on the market. Futures market witnessed subdued trading as most of traders and investors were away from active trade participation because of financial year ending. Absence of fresh meal export enquiries and shrink in crush margin acted as bearish factor for the market. Indian market moved in line with weak overseas market. CBOT soybean futures witnessed volatile trend last week with negative bias. Global oil and oilseeds traders were cautious ahead of USDA's prospective planting report scheduled for release on 31st March 2011. However, towards end of the week, prices recovered on short covering and on likely shift in demand for soybean from Latin America. Heavy rain in Brazil in recent past has been delaying harvesting and transportation of soybeans thus shifting demand to US.

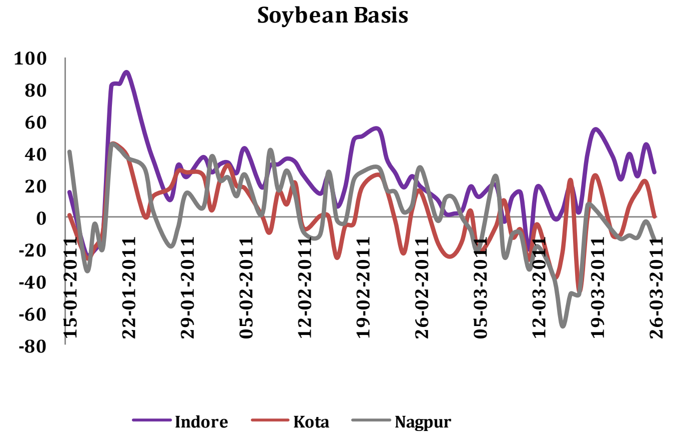
Futures

NCDEX (₹/Quintal)

Contract	Open	High	Low	Close	% Change	Volume	% Change	Open Interest	% Change
Apr-11	2367.50	2380.00	2302.00	2332.00	-1.85%	326170	-33.09%	145120	-25.11%
May-11	2400.00	2414.00	2327.00	2369.00	-1.60%	238700	-14.15%	164650	10.54%
Jun-11	2428.00	2440.00	2347.00	2394.50	-1.50%	88810	-12.80%	64700	11.53%
Jul-11	2440.00	2464.00	2368.00	2420.00	-1.16%	36850	-23.40%	26580	17.61%

Derivatives





Outlook

The soybean futures are projected to trade in a range bound level with negative bias this week. Financial year ending might result into subdued trade participation from crushers and traders. Higher inflow of Rabi oilseeds and shrinking demand for edible oil and oilseeds is likely to exert pressure on the market. The local demand for edible oil shrinks during summer months. Higher import of oil in February and likely rise in March month is likely to put pressure on the market. With the no signs of revival in Japan situation, the meal export demand from that country is likely to be affected, hence likely to put pressure on the market. Crush margin for Indian traders has declined and is quoting below ₹1000 per ton of bean crushed. Indian market is likely to move in line with weak overseas market. CBOT soybean futures are expected to trade on a weaker note this week on selling pressure. Sluggish global demand for oilseeds due to ongoing crisis and larger crop expectation in Latin America is likely to exert pressure on the market. Global traders are likely to trade cautiously ahead of USDA's prospective planting report scheduled for release on 31st March 2011. In our opinion, US farmers are likely to plant more cotton in place of soybean as they are attracted by cotton price rally. In CY 2010, ICE cotton futures rose by 92% and in CY 2011 so far they surged by 38%. Whereas, CBOT soybean futures surged by 38% in CY 2010 and so far they have declined by 3% in CY 2011.

Technical analysis

April Soybean future prices witnessed a fall in the prices by reversing the previous gains. Initially it made a weekly high of 2380 levels thereafter it started declining and settled lower at 2332 levels. Market is moving sideways for the past two weeks in the band of 2269-2388, which is likely to continue the same scenario for this week. As per the fibonacci principle resistance is seen at 2358 levels (23.6% retracement of the range 2269-2644 levels). On breach and sustained trade above it is possible to move higher till 2412 levels. In any case if market fails to breach 2358 may move sideways with lower bias. In daily chart trend channel resistance is seen at 2360 levels. A convincing break above the same it is likely to move higher. Moving average principle suggests downside movements could be there. Overall, we expect prices to move in the range of 2388-2300 levels. Either side breakout would confirm the trend.

Spread Matrix

Spread Matrix

	Spot	Apr-11	May-11	Jun-11	Jul-11
Spot	0.00				
Apr-11	-28.00	0			
May-11	-65.00	37	0		
Jun-11	-90.50	62.5	25.5	0	
Jul-11	-116.00	88	51	25.5	0.00

Crush Margin

	Ready Indore	Apr	May	Jun
Soybean	23040	23320.00	23690.00	23945.00
Cost	23990.00	24270.00	24640.00	24895.00
Refined Soy Oil	594.95	603.10	612.40	619.75
Solvent Oil	564.95	573.10	582.40	589.75
Oil Share	11299.00	11462.00	11648.00	11795.00
DOC Ex-Kandla	18175.00	18175.00	18175.00	18175.00
DOC Ex-Indore	16975.00	16975.00	16975.00	16975.00
Meal Share	13580.00	13580.00	13580.00	13580.00
Realization	24879.00	25042.00	25228.00	25375.00
Margin	**889.00**	**772.00**	**588.00**	**480.00**

Spot – Soy Meal

	25-03-2011	23-03-2011	22-03-2011	21-03-2011	18-03-2011
FOR Mumbai PP Bags (₹/MT)	18225.00	18325.00	18425.00	18525.00	18475.00
FOR Bedi Bunder (₹/MT)	18075.00	18175.00	18275.00	18375.00	18325.00
FOR Kakinada (₹/MT)	18175.00	18275.00	18375.00	18475.00	18425.00
Spot (45-46% Protein) (₹/MT)	17125.00	17225.00	17325.00	17425.00	17375.00
Spot (48% Protein) (₹/MT)	17225.00	17325.00	17425.00	17525.00	17475.00
FAS Mumbai ($/MT)	372.50	374.50	376.50	378.50	377.50
FAS Bedi Bunder ($/MT)	375.50	377.50	379.50	381.50	380.50
FAS Kakinada ($/MT)	377.50	379.50	381.50	383.50	382.50
FOR Bedi Bunder ($/MT)	363.50	365.50	367.50	369.50	368.50
FOR Kakinada ($/MT)	365.50	367.50	369.50	371.50	370.50
Argentina FOB ($/MT)	385.25	392.31	395.06	396.72	386.47
Brazil FOB ($/MT)	378.70	381.10	386.40	386.40	391.50

Refined Soy Oil (Bearish)

The refined soy oil futures traded on a weaker note last week reversing its penultimate week's gain on emergence of selling pressure. Bearish fundamental factors like sluggish demand for oil and higher import added bearish sentiment to the market. Domestic traders and investors sold futures anticipating shrink in oil demand during summer months. 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. Bearish palm oil export data released for first 25 days of the month acted as bearish factor BMD palm oil market.

NCDEX (₹/10 Kg)									
Contract	Open	High	Low	Close	% Change	Volume	% Change	Open Interest	% Change
Apr-11	618.40	621.50	591.60	603.10	-2.82%	587500	-21.44%	77110	-17.86%
May-11	626.20	627.00	598.40	612.40	-2.40%	357310	12.04%	67500	55.42%
Jun-11	630.35	631.50	603.00	619.75	-1.96%	103420	26.38%	40980	31.60%

Outlook

The refined soy oil futures are projected to continue its bearish trend this week on continued selling pressure. Indian traders and investors are likely to sell futures anticipating weak demand for oil in summer months. Rise in import of oil in February month and likely rise in March month is likely to pressurize the prices. Spot markets are likely to witness subdued trading ahead of fiscal ending. Full-fledged arrival of Rabi oilseeds across spot markets is likely to keep pressure on the soy oil market. Soy oil imports normally increases during March month as harvesting in Latin America starts in this period. Bulk buyers are likely to sideline from active buying due to financial year ending. Indian market is likely to move in line with weak overseas market. CBOT soy oil futures are likely to show sideways to lower movement this week as traders may take cautious approach ahead of USDA prospective planting report. BMD palm oil futures are likely to trade on a weaker note tracking weak CBOT soy oil market and on expectation of decline palm oil export in March month.

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)
18-03-2011	57000	55000	62000	57000	59000	57500	1255
21-03-2011	56000	54800	62000	57000	58000	56500	1258
22-03-2011	56000	53500	60500	56200	57500	56500	1240
23-03-2011	56000	53500	60500	56500	56500	54400	1257
24-03-2011	55000	53500	60500	56000	56200	54000	1248
25-03-2011	54000	53000	60000	56000	56000	54000	1262

Soy oil parity

Landed cost of Brazlian Soy Oil

	25-03-2011	24-03-2011	23-03-2011	22-03-2011	18-03-2011
FOB Value ($/t)	1239.00	1239.00	1227.00	1240.00	1197.00
Freight	60	60	60	60	60
Insurance @1% on FOB	12.39	12.39	12.27	12.40	11.97
CIF Value	1311.39	1311.39	1299.27	1312.40	1268.97
Customs Duty (Calculated on tariff value @ $580/tonne)	0	0	0	0	0
Currency USDINR	44.6800	44.6500	44.7800	45.7050	45.1750
Convert ($ to Rs)	58593	58554	58181	59983	57326
Landing Charges	1200	1200	1200	1200	1200
Landed cost at Indian ports	59792.91	59753.56	59381.31	61183.24	58525.72
Landed cost at Indian ports per 10 kg	**597.93**	**597.54**	**593.81**	**611.83**	**585.26**

Landed cost of Argentina Soy Oil

	23-03-2011	22-03-2011	21-03-2011	18-03-2011
FOB Value ($/t)	1190.00	1200.00	1200.00	1193.00
Freight	60	60	60	60
Insurance @1% on FOB	11.90	12.00	12.00	11.93
CIF Value	1261.90	1272.00	1272.00	1264.93
Customs Duty (Calculated on tariff value @ $580/tonne)	0	0	0	0
Currency USDINR	44.7800	44.8500	45.7050	45.7050
Convert ($ to Rs)	56508	57049	58137	57814
Landing Charges	1200	1200	1200	1200
Landed cost at Indian ports	57707.88	58249.20	59336.76	59013.63
Landed cost at Indian ports per 10 kg	**577.08**	**582.49**	**593.37**	**590.14**

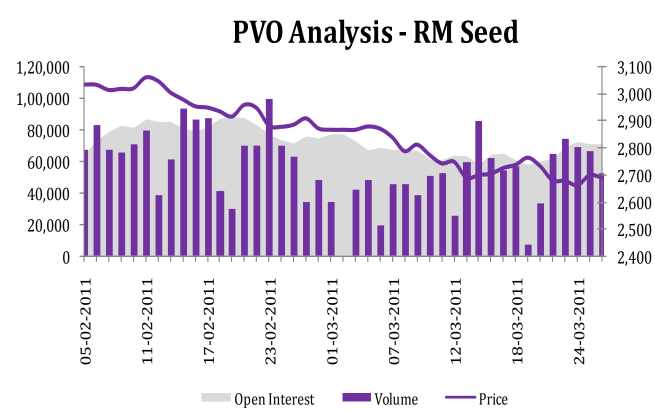
RM seed (Bearish)

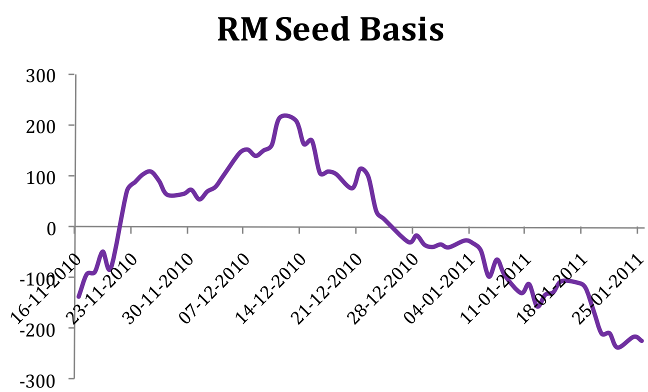
The bearish trend in the mustard seed futures advanced last week on strong selling pressure backed bearish fundamental factors. Sluggish demand and increase fresh inflow of the produce across Indian had a bearish impact on the market. Spot markets witnessed poor off-take of produce from crushers on higher arrivals. Traders were away from active buying expecting further decline in the prices due to bumper crop expectation. Weak trend in the soybean market also had a bearish effect on the market. The April contract futures declined by 5% during the week from penultimate week's close. However, towards end of the week, prices recovered on short covering.

NCDEX futures

NCDEX (₹/Quintal)									
Contract	Open	High	Low	Close	% Change	Volume	% Change	Open Interest	% Change
Apr-11	2760.00	2766.00	2636.00	2693.00	-2.64%	360980	4.22%	70610	22.95%
May-11	2803.00	2810.00	2683.00	2748.00	-2.17%	504480	8.65%	147840	27.85%
Jun-11	2846.00	2852.00	2729.00	2794.00	-2.21%	50420	78.41%	20500	33.03%

Derivatives





Outlook

The mustard seed futures are forecast to extend its bearish trend this week on continued selling pressure. Weak trend in soy market is likely to exert pressure on the mustard market. 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.

Spot price

Date	Mustard Seed Rajasthan	Mustard Seed Delhi	Mustard Oil Jaipur	Mustard Oil Mumbai
18-03-2011	27400	27500	58500	61500
21-03-2011	27300	27500	59000	62600
22-03-2011	27000	27200	58500	61500
23-03-2011	27000	26500	57500	60800
24-03-2011	27000	26250	57500	60800
25-03-2011	27000	25100	57100	60100

Disclaimer

The report contains the opinions of the author that are not to be construed as investment advice. The author, directors and other employees of Karvy, and its affiliates, cannot be held responsible for the accuracy of the information presented herein or for the results of the positions taken based on the opinions expressed above. The above-mentioned opinions are based on the information which is believed to be accurate and no assurance can be given for the accuracy of this information. There is risk of loss in trading in derivatives. The author, directors and other employees of Karvy and its affiliates cannot be held responsible for any losses in trading.

Commodity derivatives trading involve substantial risk. The valuation of the underlying may fluctuate, and as a result, clients may lose their entire original investment. In no event should the content of this research report be construed as an express or an implied promise, guarantee or implication by, or from, Karvy Comtrade that you will profit or that losses can, or will be, limited in any manner whatsoever. Past results are no indication of future performance. The information provided in this report is intended solely for informative purposes and is obtained from sources believed to be reliable. Information is in no way guaranteed. No guarantee of any kind is implied or possible where projections of future conditions are attempted.

We do not offer any sort of portfolio advisory, portfolio management, or investment advisory services. The reports are only for information purposes and not to be construed as investment advice.

For a detailed disclaimer please go to following URLs:

http://www.karvycomtrade.com/disclaimer.asp

http://www.karvycomtrade.com/riskDisclaimer.asp