

6-11 June 2011

## Soybean (Bullish)

**Recommendations: Soybean June NCDEX: Buy at 2350-55 TP 2405 then 2430 SL 2330**

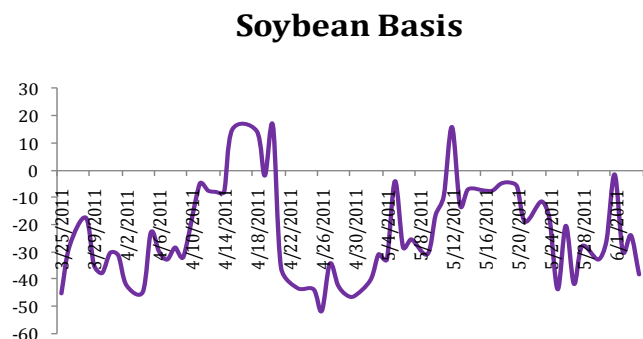
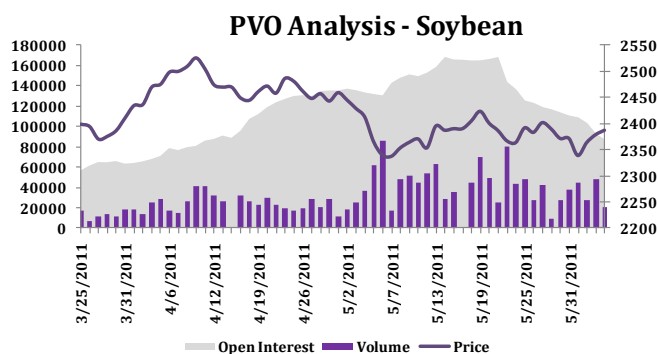
**Soybean CBOT July: Buy at 1395-1402 TP 1442 then 1460 SL 1365**

NCDEX Soybean futures traded positive through out the week but closed marginally lower compared to penultimate week. Seed consumption demand and the good crushing margin kept the prices moderately increasing across the spot markets and same impact was seen at the futures also. The Indian prices found support from the international market sentiments. CBOT soybean prices closed 2.545 higher compared to penultimate week. The concerns about the slow planting of the soybean across U.S due to wet weather conditions affected the market sentiments. The delayed planting results in the lower yield adding to the supply crunch situation of soybean. The emerged soybean planting figures during this year were also much lower compared to the last year's seedling emergence during the same period. The wet weather conditions are supposed to have damaged the sown seeds and the emerging plants based on which the prices went up. The expectations of the lower inventories on tight global supplies in the forth coming WASDE report also supported the prices to gain.

## Futures

NCDEX (₹/Quintal)									
Contract	Open	High	Low	Close	% Change	Volume	% Change	Open Interest	% Change
May-11	2385.00	2398.00	2333.00	2387.50	-0.10%	67900	-20.16%	87100	-25.43%
Jun-11	2410.00	2424.00	2343.00	2411.50	-0.17%	11370	40.64%	125860	1.98%
Jul-11	2436.00	2448.00	2366.50	2434.50	-0.37%	627420	10.32%	64840	14.20%
Aug-11	2385.00	2421.00	2340.00	2415.50	0.75%	491610	214.09%	11790	75.45%

## Derivatives



## Outlook:

Soy bean futures at NCDEX are expected to trade positive for the week ahead with limited gains. The chances of the Indian market moving in line with the CBOT soybean market are very bleak for the week ahead. In peninsular India the weather conditions are reported good for the progress of the monsoon. The monsoon showers have reached the soy growing regions like Karnataka and Maharashtra. Madhya pradesh regions also might witness a favorable monsoon showers raising the hopes of higher acreage and production. The possible increase in the MSP by 15-17% also might boost the acreage under soybean during the current Kharif season. These factors might limit the gains in the soybean prices. The international market sentiments might support the nominal upside movement in the prices during the mid

week. The tight supplies expected in the world supply demand report due to be released by USDA on 9<sup>th</sup> is supportive for the prices. The weekly crop planting report might come up with the recovered sowing status while the decreased numbers for the emerged plants. The wet weather conditions resulted in higher salt contents in the soil which is affecting the emergence of the seedlings. The chances of the higher yield for the current year are also lower as the planting is delayed which affect the flowering and the pod formation stages. The harvesting across Brazil and Argentina has come to an end and crushing is on full swing as the demand for the edible oil globally is reported to increase in the near term. The biodiesel sector demand for the edible oil is also likely to drive the prices higher. As the planting season is delayed the possible shift of the acreage from corn to soybean is also lower which might cushion price rise.

## Spread Matrix:

Spread Matrix					
	Spot	May-11	Jun-11	Jul-11	Aug-11
<b>Spot</b>	0				
<b>May-11</b>	-38.50	0			
<b>Jun-11</b>	-62.50	24	0		
<b>Jul-11</b>	-85.50	47	23	0	
<b>Aug-11</b>	-66.50	28	4	-19	0.00

## Crush Margin:

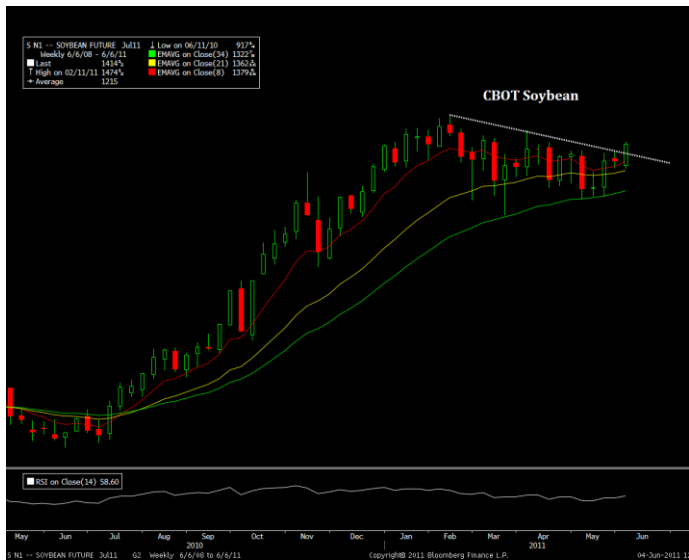
	Ready Indore	May	Jun	Jul
Soybean	23490	23875.00	24115.00	24345.00
Cost	24440.00	24825.00	25065.00	25295.00
Refined Soy Oil	654.65	657.80	661.45	661.45
Solvent Oil	624.65	627.80	631.45	631.45
Oil Share	12493.00	12556.00	12629.00	12629.00
DOC Ex-Kandla	17800.00	17800.00	17800.00	17800.00
DOC Ex-Indore	16600.00	16600.00	16600.00	16600.00
Meal Share	13280.00	13280.00	13280.00	13280.00
Realization	25773.00	25836.00	25909.00	25909.00
<b>Margin</b>	<b>1333.00</b>	<b>1011.00</b>	<b>844.00</b>	<b>614.00</b>

## Spot - Soy Meal

	6/3/2011	6/2/2011	6/1/2011	5/31/2011	5/30/2011	5/27/2011
FOR Mumbai PP Bags (₹/MT)	17825.00	17825.00	17825.00	17975.00	18125.00	18175.00
FOR Bedi Bunder (₹/MT)	17675.00	17675.00	17675.00	17825.00	17975.00	18025.00
FOR Kakinada (₹/MT)	17775.00	17775.00	17775.00	17925.00	18075.00	18125.00
Spot (45-46% Protein) (₹/MT)	16725.00	16725.00	16725.00	16875.00	17025.00	17075.00
Spot (48% Protein) (₹/MT)	16825.00	16825.00	16825.00	16975.00	17125.00	17175.00
FAS Mumbai (\$/MT)	363.50	363.50	363.50	365.50	369.00	369.50
FAS Bedi Bunder (\$/MT)	366.50	366.50	366.50	368.50	371.50	372.50
FAS Kakinada (\$/MT)	368.50	368.50	368.50	370.50	373.50	374.50
FOR Bedi Bunder (\$/MT)	354.50	354.50	354.50	356.50	359.50	360.50
FOR Kakinada (\$/MT)	356.50	356.50	356.50	358.50	361.50	362.50
Argentina FOB (\$/MT)	380.29	372.25	368.5	369.93	373.24	378.42
Brazil FOB (\$/MT)	371.50	371.50	367.25	364.10	367.20	363.50

## Technical Analysis:

CBOT Soybean Prices traded completely higher on last week. It made a low of 1366.5 then high of 1419.5 before settling higher at 1414.5 levels. Prices have breached the trend line resistance at 1398 levels. On sustained trade above is likely to remain higher. The moving average principle suggesting upside potential as short term EMA's of 8 & 21 pushing the prices to north ward direction. If we look into the Indian chart prices are still trading at lower note and all the short and medium term EMA's of (8,21&34) weeks are pushing the prices into lower side. If we compare CBOT with the Indian chart we see a divergence in the prices. So one can expect prices to trade on the higher side as CBOT prices has given upside breakout.



## Refined Soy Oil (Bullish)

**RECOMMENDATIONS: Soy oil June NCDEX: Buy at 649-651 TP 662/665 SL 644**

The refined soy oil prices declined during the last week at the Indian exchanges tracking the weakness in the buying activity. The parity prices of the soy oil increased substantially during the last week which kept the demand subdued across spot markets. The crushing across Brazil and Argentina are on full swing increasing the concerns of higher production of oil. The possible increase in the production of the palm oil also in the next half year pressurized the prices of soy oil at CBOT. The flat trading of the crude oil supported the fall in the prices.

NCDEX (₹/10 Kg)									
Contract	Open	High	Low	Close	% Change	Volume	% Change	Open Interest	% Change
May-11	660.20	665.00	653.30	657.80	-0.24%	627420	-6.84%	100470	-15.68%
Jun-11	665.45	668.40	653.80	661.45	-0.41%	491610	54.75%	124970	40.27%
Jul-11	665.55	670.80	655.60	663.85	-0.46%	100220	58.98%	60470	15.05%

## Outlook:

The refined soy oil futures are expected to recover from the lower side and trade positive in the week ahead. The initial correction s might create good buying level across the futures. The lower month ending stocks to be projected in the upcoming USDA reports is supportive for the prices. The good demand for the oil for the festive consumption is attracting buying which might lead to the price rise. The demand from the global biodiesel consumption units is also expected to be higher. The possible damage in the emerged planting of the soybean in U.S is creating concerns decline in the oil supplies for the next crop year. The lower ending stocks projections for the month of may might also support the prices as the Chinese demand would have driven more oil out of the American countries. The FOB prices of soy oil from Brazil and Argentina have increased in the last week indicating the trend might continue ahead for the forth coming week.

## Spot price

Date	Soy Oil Ex	Soy Oil Spot	Soy Oil	Soy Oil	Soy Oil Crude	Soy Oil	CIF Mumbai
	Factory Indore (₹/Tonne)	Indore (₹/Tonne)	Refined (₹/Tonne)	Degum Spot Ex-Mumbai (₹/Tonne)	Ready Mumbai (₹/Tonne)	Solvent Indore (₹/Tonne)	Soy Oil Degum (\$/Tonne)
5/27/2011	57000	58900	60800	61000	60000	58800	1335
5/30/2011	57000	59000	60500	61000	60800	59000	1330
5/31/2011	57000	59500	59500	60800	60500	59200	1335
6/1/2011	57000	58800	60300	60500	60800	59200	1335
6/2/2011	57000	59000	62500	60500	60700	59200	1335
6/3/2011	62000	59300	62000	61000	60800	59200	1340

## Soy oil parity

<b>Landed cost of Brazilian Soy Oil</b>				
	<b>6/3/2011</b>	<b>6/2/2011</b>	<b>6/1/2011</b>	<b>5/31/2011</b>
FOB Value (\$/t)	1272.30	1272.30	1257.30	1263.00
Freight	60	60	60	60
Insurance @1% on FOB	12.72	12.72	12.57	12.63
CIF Value	1345.02	1345.02	1329.87	1335.63
Customs Duty (Calculated on tariff value @ \$580/tonne)	0	0	0	0
Currency USDINR	44.8200	44.8200	44.8400	45.0550
Convert (\$ to Rs)	60284	60284	59632	60177
Landing Charges	1200	1200	1200	1200
Landed cost at Indian ports	61483.93	61483.93	60831.51	61376.81
<b>Landed cost at Indian ports per 10 kg</b>	<b>614.84</b>	<b>614.84</b>	<b>608.32</b>	<b>613.77</b>

<b>Parity Price of Argentina Soy Oil</b>				
	<b>6/3/2011</b>	<b>6/2/2011</b>	<b>6/1/2011</b>	<b>5/31/2011</b>
FOB Value (\$/t)	1270.00	1270.00	1253.00	1255.00
Freight	60	60	60	60
Insurance @1% on FOB	12.70	12.70	12.53	12.55
CIF Value	1342.70	1342.70	1325.53	1327.55
Customs Duty (Calculated on tariff value @ \$580/tonne)	0	0	0	0
Currency USDINR	44.8200	44.8200	44.8400	45.0550
Convert (\$ to Rs)	60180	60180	59437	59813
Landing Charges	1200	1200	1200	1200
Landed cost at Indian ports	61379.81	61379.81	60636.77	61012.77
<b>Landed cost at Indian ports per 10 kg</b>	<b>613.80</b>	<b>613.80</b>	<b>606.37</b>	<b>610.13</b>

## RM seed (Bullish)

**RECOMMENDATIONS: RM SEED NCDEX JUNE: Buy at 2905-10 TP 2960/2985 SL 2970**

The mustard seed futures continued the surge in the prices during the last week owing to the increasing demand across the spot markets. The increase in demand for the oil and meal across the spot markets supported the prices. The peak arrivals season has come to end across the spot markets amidst of the good demand cushioning the prices. The support from the higher prices of the soy bean also lent support to the mustard prices ignoring the fall in the last week. The crushing margin also improved across the spot markets supporting the millers buying across the spot markets.

## NCDEX futures

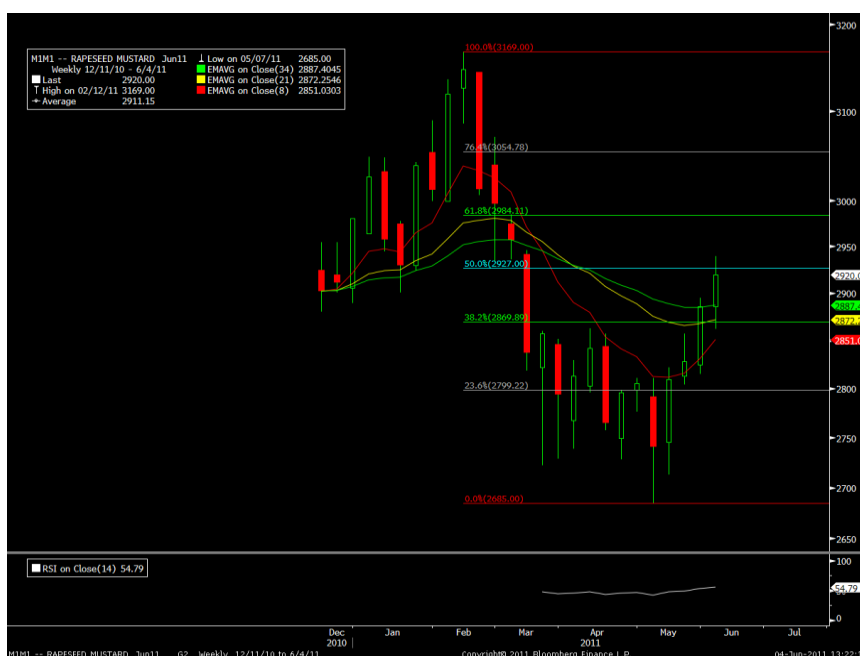
NCDEX (₹/Quintal)									
Contract	Open	High	Low	Close	% Change	Volume	% Change	Open Interest	% Change
May-11	2886.00	2940.00	2863.00	2923.00	1.28%	438110	-13.34%	169020	24.83%
Jun-11	2934.00	2988.00	2910.00	2971.00	1.26%	425390	22.62%	169020	24.83%
Jul-11	2970.00	3026.00	2953.00	3010.00	1.11%	28630	12.54%	16910	20.70%

## Outlook

The mustard seed futures are expected to take support from the nominal buying across the spot markets. The prices are expected to take support from the soybean prices also. The profit booking on the rise in the prices in the last four successive weeks cannot be ruled out. The demand across the spot market is expected to be normal while the futures prices might witness some corrections. The near term demand from the oil meal exporters is prevailing across the spot markets. Good crushing margins are also likely to keep the buying activities while the aggression of the buying can be restricted. The festive season starting off in the month of August is creating demand for the mustard seed as the usage is higher in across north India. According to the third advance estimates India's mustard seed production is projected at 74 lakh tons during this year.

## Technical analysis:

RM seed traded higher for the fourth consecutive week by continuing the previous trend. It made a low of 2863 then high of 2940 and settled higher at 2921 levels on last week. Closing of the candle renders bullish trend is still intact. The principle of Fibonacci retracement states that prices are witnessing resistance at 2927 levels which is 50% retracement of the range 2685-3169 levels. On breach and sustained trade above is likely to test 2985 levels. The moving average principle suggesting upside potential as EMA's of (8,21&34) weeks are pushing the prices towards northward direction. However, we expect prices to trade higher and recommend buying near support levels.





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