

8<sup>th</sup> -13<sup>th</sup> August 2011

## Soybean (Bullish)

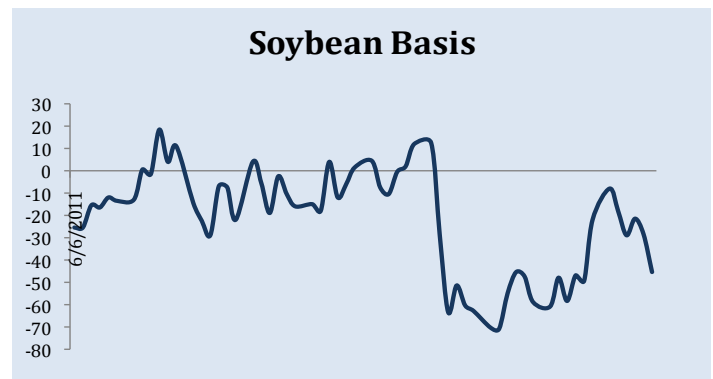
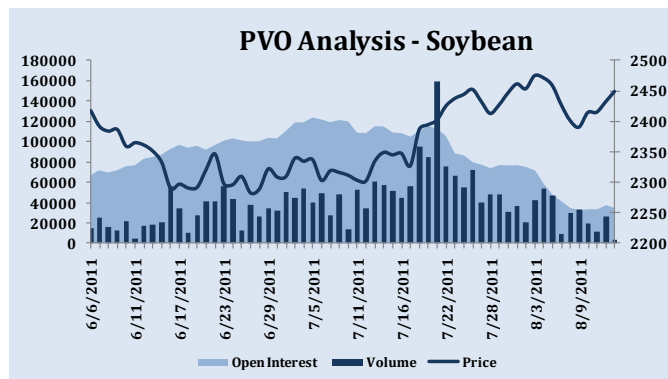
**Recommendations: Soybean AUGUST NCDEX: Buy at 2430-440 TP 2505/2535 SL 2390**

Soybean futures prices tumbled during the last week at CBOT as well as Indian commodity bourses. Fall in soybean and oil prices at CBOT was attributed to cut in credit rating of U.S by S & P. This created a panic selling of commodities across, presuming demand for commodities to slump due lower credit ratings of U.S. Though down grade of economy was very macro fundamentals it played major role in fall of the soybean and oil prices. USDA crop progress report recorded 5% decline in blooming and 18% decline in pod setting compared to same time during last year while overall crop prospects was reported to improve further which kept the prices bearish. Total oilseed acreage increased to 157.9 lakh hectares compared to 153.06 lakh hectares during the same period last year adding to the down trend in prices. Activities across spot markets remained largely stable with out much movement in prices. Overall oil meal exports were up by 75% during April to July 2011 and soybean meal increased by 19% during the month of July which could not impact the market much. Towards end of week prices largely recovered from steep lows as the crop production report recorded 169 million cut in the soybean output for 2011-12.

## Futures

NCDEX (₹/Quintal)									
Contract	Open	High	Low	Close	% Change	Volume	% Change	Open Interest	% Change
Aug-11	2420.00	2450.50	2371.50	2448.00	0.89%	98560	-45.18%	34700	-16.16%
Sep-11	2458.00	2485.00	2395.50	2462.00	-0.51%	41360	-12.27%	137050	-7.12%
Oct-11	2298.50	2307.00	2214.00	2271.00	-1.54%	242660	28.67%	77550	11.87%
Nov-11	2279.00	2292.00	2211.00	2270.50	-0.87%	612550	32.78%	31800	9.84%

## Derivatives



## Outlook:

Soybean prices are expected to trade with more bias towards upside during the next week. Initially some corrections can set a buying point for the week. Increase in acreage under soybean in India by around 5 lakh hectares to 30 lakh hectares compared to 24.57 hectares last year which might lead to initial down fall in prices.

In the international market, WASDE (World agriculture supply demand report) for the next oil year has estimated drop in soybean crushing by around 20 million tons to 1635 million tons. Ending Stocks are projected lower by 20 million tons to 155 million tons. Soybean exports are estimated to drop steeply by 95 million tons to 1400 million tons.

Soybean Production is cut by 165 million tons to 3056 million tons. Supplies of soybean are also reduced to 3301 million tons compared to 3440 million tons. Tight supplies of oilseeds across the globe are affecting Indian market sentiments. Dry weather conditions might rebound in the next one week to ten days time which might further decrease the production. Crop progress report has also recorded unchanged numbers in the crop prospects sufficing the concerns about final yields. Thus Indian market can take cues from the CBOT prices and gain during the week ahead.

### Spread Matrix:

Spread Matrix					
	Spot	Aug-11	Sep-11	Oct-11	Nov-11
Spot	0				
Aug-11	-45.00	0			
Sep-11	-59.00	14	0		
Oct-11	132.00	-177	-191	0	
Nov-11	132.50	-177.5	-191.5	-0.5	0.00

### Crush Margin:

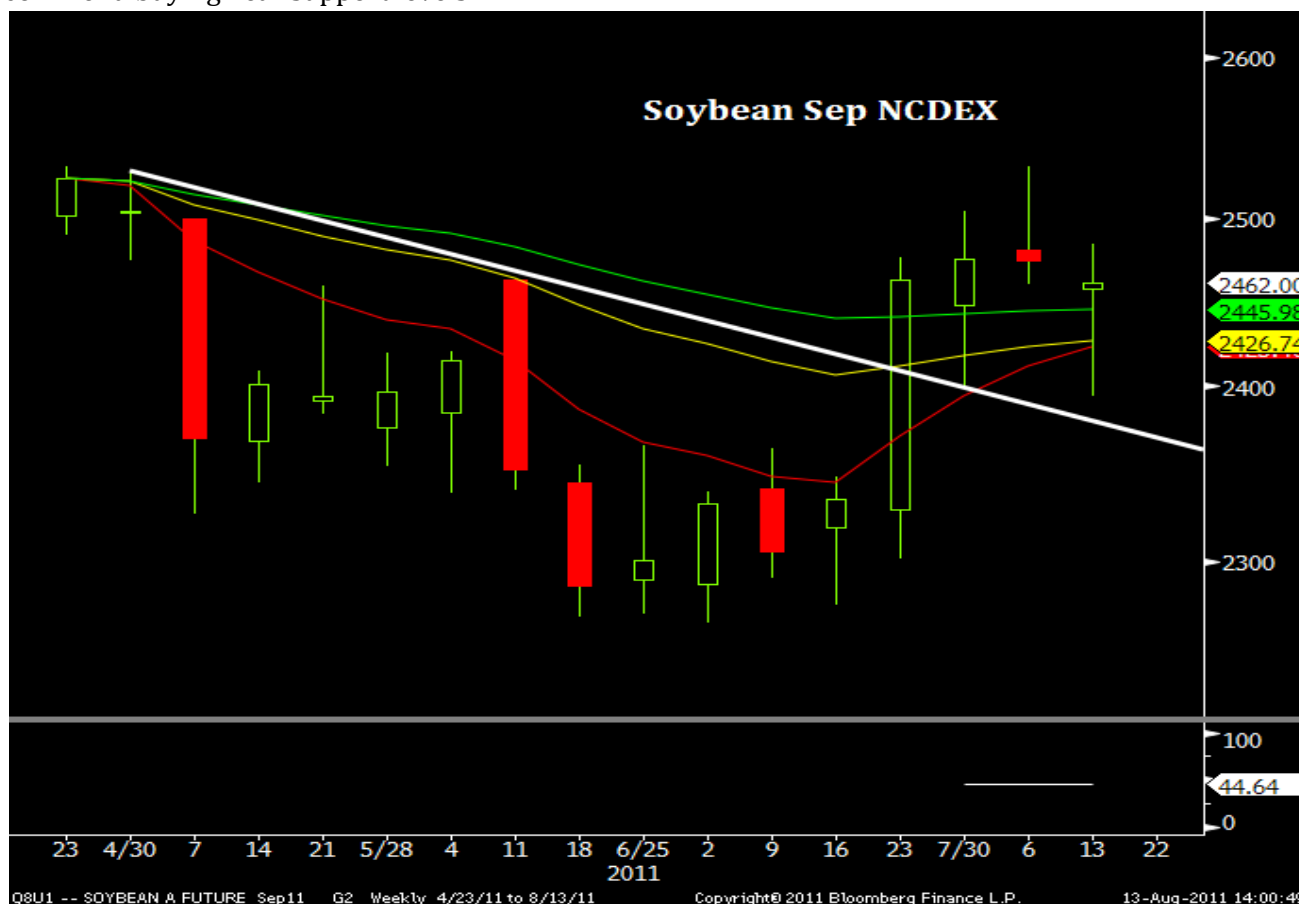
	Ready Indore	Aug	Sept	Oct
Soybean	24030	24480.00	24620.00	22710.00
Crush Expenses	950	950	950	950
Cost	24980.00	25430.00	25570.00	23660.00
Refined Soy Oil	632.32	662.10	651.95	662.40
Solvent Oil	602.32	632.10	621.95	632.40
Oil Share	12046.40	12642.00	12439.00	12648.00
DOC Ex-Kandla	18400.00	18400.00	18400.00	18400.00
DOC Ex-Indore	17200.00	17200.00	17200.00	17200.00
Meal Share	13760.00	13760.00	13760.00	13760.00
Realization	25806.40	26402.00	26199.00	26408.00
<b>Margin</b>	<b>632.32</b>	<b>972.00</b>	<b>629.00</b>	<b>2748.00</b>

### Spot - Soy Meal

Soy meal prices	8/12/2011	8/11/2011	8/10/2011	8/9/2011	8/8/2011	8/5/2011
FOR Mumbai PP Bags (₹/MT)	18475.00	18325.00	18225.00	18225.00	18425.00	18425.00
FOR Bedi Bunder (₹/MT)	18325.00	18175.00	18075.00	18075.00	18275.00	18275.00
FOR Kakinada (₹/MT)	18425.00	18275.00	18175.00	18175.00	18375.00	18375.00
Spot (45-46% Protein) (₹/MT)	17275.00	17125.00	17025.00	17025.00	17225.00	17225.00
Spot (48% Protein) (₹/MT)	17375.00	17225.00	17125.00	17125.00	17325.00	17325.00
FAS Mumbai (\$/MT)	373.50	370.50	368.50	368.50	372.50	372.50
FAS Bedi Bunder (\$/MT)	376.50	373.50	371.50	371.50	375.50	375.50
FAS Kakinada (\$/MT)	378.50	375.50	373.50	373.50	377.50	377.50
FOR Bedi Bunder (\$/MT)	365.00	361.50	359.50	359.50	363.50	363.50
FOR Kakinada (\$/MT)	366.50	363.50	361.50	361.50	365.50	365.50
Argentina FOB (\$/MT)	370.81	362.93	363.65	368.39	#N/A	#N/A
Brazil FOB (\$/MT)	365.10	368.40	360.05	359.35	#N/A	#N/A

## Technical Analysis:

Soybean prices traded initially lower and recovered at the end. Overall week gone by closed marginally lower. Closing of the candle stick renders *Long Legged Doji* candle stick pattern and suggesting bullish trend for the coming week. Prices are witnessing Trend line support at 2385 levels. On sustained trade above is likely to remain higher. Prices are witnessing support at 2420 levels (previous swing lows). The moving average principle suggesting upside potential as prices are trading well above short and medium term EMA's of (8, 21 & 34) weeks. However on the higher side crucial resistance is seen at 2532 levels (previous week's high). On breach and sustained trade above would confirm further bullish trend. If we look into the daily chart 2400 levels holds crucial support. A mild correction on the lower side may be expected before resuming its uptrend. We from KCTL research expect prices to trade higher for the coming week and recommend buying near support levels.



## Refined Soy Oil (Bullish)

**RECOMMENDATIONS: Soy Oil AUGUST NCDEX: Buy at 648.50-650 TP 656 then 665 SL below 642**

Refined soy oil prices fell in opening of the week in line with soybean prices while towards closing recovery in crude oil prices and the lower import numbers helped prices to recover substantially. Down gradation of the U.S economy led to panic selling across commodities amongst because of concerns that incase, U.S economy turns out to be in bad shape no buyers would be interested in the commodities. Substantial decline in crude oil prices also pulled down the soy oil prices initially. During later half of the week price rebounded from the lower levels on back of world agriculture supply demand report released. The report estimates cut in soy bean crushing, supplies for next oil which helped oil prices to recover substantially. Recovery in crude oil prices helped soy oil prices to recover from the lows and end the week in green.

## Futures prices

NCDEX (₹/10 Kg)									
Contract	Open	High	Low	Close	% Change	Volume	% Change	Open Interest	% Change
Aug-11	652.20	664.00	649.00	662.10	0.95%	242660	-38.03%	89090	-28.10%
Sep-11	642.00	654.20	638.00	651.95	0.86%	612550	49.23%	138780	10.91%
Oct-11	626.10	637.50	618.30	636.30	0.77%	135440	106.06%	87160	55.56%

## Outlook:

NCDEX refined soy oil futures might extend the rally in prices during this next week. Projections of decline in palm oil production during August month due to lack of agriculture laborers might affect market sentiments. Absence of laborers due to Ramadan eve might result in decline of the production and processing activities. In U.S supplies and production are cut in latest supply demand report which might support uptrend in prices. Weather forecast for next week to ten days is drier which might affect pod setting sufficing further chances of the decline in yield. At domestic front, imports of soy oil for month of July came lower compared to previous month. Crude degummed soy oil imports declined by 26% compared to last month. Lower imports amidst peak consumption season of edible oil might support soy oil futures at Indian commodity bourses to trade upside during next week.

## Spot price

Soy oil-spot prices	08/05/11	08/08/11	08/09/11	08/10/11	08/11/11	08/12/11
Ex Factory Indore (₹/Ton)	58000	59000	58000	56000	56000	56000
Spot Indore (₹/Ton)	60300	60300	60300	59500	59700	60500
Refined (₹/Ton)	64200	64200	63100	63100	63000	63600
Degum Spot Ex-Mumbai (₹/Ton)	61000	60100	60200	60000	60000	60200
Crude Ready Mumbai (₹/Ton)	60800	60500	60000	60000	60000	60500
Solvent Crude Indore (₹/Ton)	60400	60400	60400	60000	60000	60000
CIF Mumbai Degum (\$/Ton)	1332	1308	1300	1290	1295	1295

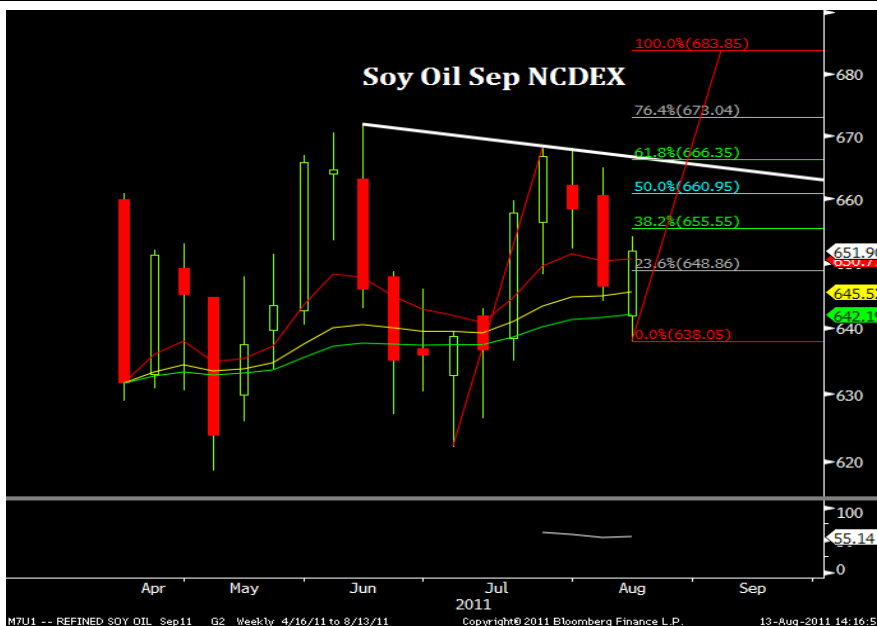
Landed cost of Brazilian Soy Oil	8/12/2011	8/11/2011	8/10/2011	8/9/2011	8/8/2011
FOB Value (\$/t)	1226.40	1230.80	1204.40	1202.20	1213.00
Freight	60	60	60	60	60
Insurance @1% on FOB	12.26	12.31	12.04	12.02	12.13
CIF Value	1298.66	1303.11	1276.44	1274.22	1285.13
Customs Duty (Calculated on tariff value @ \$580/tonne)	0	0	0	0	0
Currency USDINR	45.3900	45.4100	45.2500	#N/A	#N/A
Convert (\$ to Rs)	58946	59174	57759	#N/A	#N/A
Landing Charges	1200	1200	1200	1200	1200
Landed cost at Indian ports	60146.36	60374.13	58959.09	#N/A	#N/A
<b>Landed cost at Indian ports per 10 kg</b>	<b>601.46</b>	<b>603.74</b>	<b>589.59</b>	<b>#N/A</b>	<b>#N/A</b>

Parity Price of Argentina Soy Oil	8/15/2011	8/12/2011	8/11/2011	8/10/2011	8/9/2011
FOB Value (\$/t)	1244.00	1223.00	1220.00	1210.00	1210.00
Freight	60	60	60	60	60
Insurance @1% on FOB	12.44	12.23	12.20	12.10	12.10
CIF Value	1316.44	1295.23	1292.20	1282.10	1282.10
Customs Duty (Calculated on tariff value @ \$580/tonne)	0	0	0	0	0
Currency USDINR	45.3400	45.3900	45.4100	45.2500	#N/A
Convert (\$ to Rs)	59687	58790	58679	58015	#N/A
Landing Charges	1200	1200	1200	1200	1200
Landed cost at Indian ports	60887.39	59990.49	59878.80	59215.03	#N/A
<b>Landed cost at Indian ports per 10 kg</b>	<b>608.87</b>	<b>599.90</b>	<b>598.79</b>	<b>592.15</b>	<b>#N/A</b>

## Technical Analysis:

Soy oil prices traded higher this week by reversing the previous trend. After witnessing low of 638.05 then high of 654.20 and settled higher at 651.90 levels with as much as 1% gains. Prices have unable to breach the recent low of 635 levels. On sustained trade above is likely to remain higher. Prices are witnessing Trend line resistance at 666 levels and likely to witness in the coming week. On breach and sustained trade above would confirm further bullish trend. The moving average principle suggesting upside potential as prices are trading above the short and medium term EMA's of (8, 21&34) weeks. The principle of Fibonacci Projection states prices are witnessing resistance at 655.50 levels which is 38.2% projections of the range 622.35-668.15-638.05 levels. On breach of 655.50 levels is likely to test 660.95 levels which are 50% projections of the above mentioned range. Going by the above analysis we expect prices to trade higher and recommend buying near support levels.



## RM seed (Sideways)

**RECOMMENDATIONS: Trading Range 2965-2880**

Mustard seed futures declined in line with the soy complex but did not recover as good as soybean towards end of the week. Absence of bulk demand for the mustard seed affected the spot prices and had same impact on futures. Drop in prices of mustard seed and oil during last week exerted pressure on the prices while arrivals remained around 3000 bags. Crush margin was in negative during last week which also kept the buyers away from market. Spot activities were also reported sluggish as sellers were absent across major spot markets.

### NCDEX futures

NCDEX (₹/Quintal)									
Contract	Open	High	Low	Close	% Change	Volume	% Change	Open Interest	% Change
Aug-11	2904.00	2924.00	2849.00	2897.00	-0.69%	264340	-24.87%	136630	42.63%
Sep-11	2935.00	2960.00	2883.00	2936.00	-0.51%	326810	18.31%	136630	42.63%
Oct-11	2977.00	2999.00	2921.00	2971.00	-0.70%	67400	62.33%	58640	32.19%

Mustard seed/oil-spot prices	8/5/11	8/8/11	8/9/11	8/10/11	8/11/11	8/12/11
Rajasthan	29800	28850	28600	28700	28800	28800
Delhi	29500	29650	29500	29400	29600	29650
Oil Jaipur	66800	66500	66500	65500	65200	65300
Oil Mumbai	69500	68400	68500	68200	68300	68300

### Outlook

Mustard seed futures might recover from last week's lows during current week. Lowered estimates of the global oilseeds are expected to cushion prices during current week. Market might take cues from soy complex in which production estimates are reduced raising concerns about lower availability of largest oil seed crop. Yield prospects in EU and Ukraine might also decline as per latest world supply demand report which is supportive for prices. Over all projections of drop in oilseeds production by 4 million tons for next oil year might also support the prices.

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