

21 January 2012

Soybean

Recommendations: Soybean MAR CBOT: Trading range-\$1237-1129

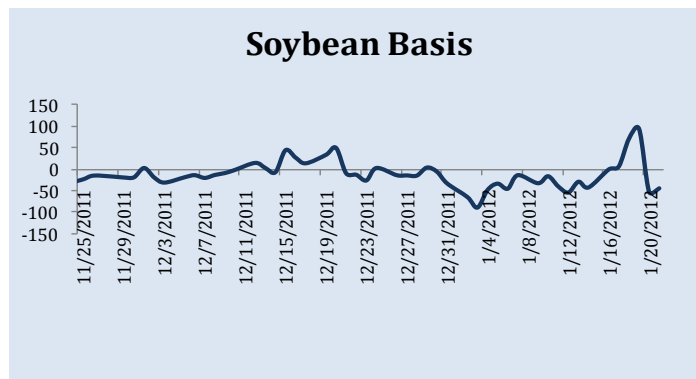
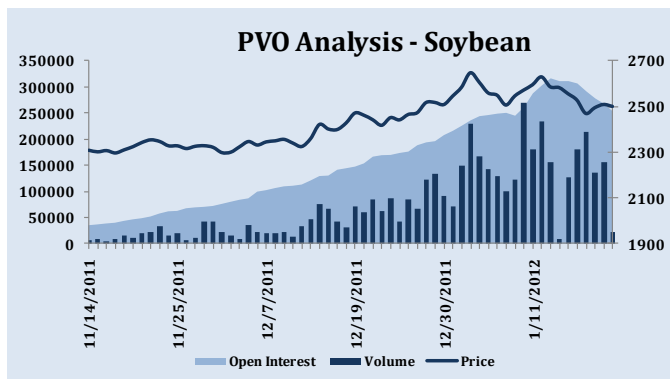
Soybean FEB NCDEX: Trading Range 2435-2648

Soybean futures remained on losing spree during last week owing to better crop conditions over South America. Around 80 mm of rain fall was recorded in these regions which supported crop to recover from dry weather conditions of 10 weeks. But towards closing CBOT soybean prices erased losses and ended slightly positive by 0.5% as weekly export sales data increased which came on Friday evening. Soybean exports increased to 991.1 tons compared to 433.9 tons compared to previous week. In domestic markets, demand remained very subdued across major markets which kept the spot prices under pressure. Spot prices decreased to Rs. 2380/quintal from Rs. 2430/quintal during last week. However arrivals remained at 2.5lakh bags all over India. Meal demand remained subdued across major markets due to absence of fresh export demand. Fast approaching Chinese lunar holidays resulted weak export enquiries. This kept the prices under pressure which resulted in lower crushing margin also towards closing of the week.

Futures:

NCDEX (₹/Quintal)									
Contract	Open	High	Low	Close	% Change	Volume	% Change	Open Interest	% Change
Feb-12	2576.00	2600.00	2454.00	2500.50	-3.21%	153680	-21.04%	311160	27.04%
Mar-12	2603.50	2624.00	2475.00	2536.50	-2.85%	14180	-12.01%	219790	91.92%
Apr-12	2635.00	2650.00	2498.00	2567.00	-2.75%	994570	17.82%	97640	92.34%
May-12	2663.00	2674.00	2540.00	2597.00	-2.70%	357300	-9.80%	10840	52.47%

Derivatives



Outlook:

Soybean prices are projected to extend the losses initially in the next week owing to the good rains projected over Brazil and Argentina regions. Around 75-80% of cloud cover is reported by many meteorological agencies over South American which resulted in rains might help recovery in crops in Argentina. While crop is in harvesting stages in Rio Grande do Sul which might be affected if rains are more than expected. These regions produce 14% of soybean of Brazil and harvests first. Any such heavy rains might help prices to reverse from lower levels. Chinese demand for beans might be lower during next week due to holidays on

account of New Year. IGC has released grains production estimate where global soybean production is still lower at 257 million tons down by 2.2 million tons with major drop attributed from South American regions.

Domestic market buyers might wait watching development of the weather conditions which might keep prices under pressure. Drop in crushing margins and Chinese demand for meal might keep the buyers inactive adding to the drop in prices.

Spread Matrix					
	Spot	Feb-12	Mar-12	Apr-12	May-12
Spot	0				
Feb-12	-45.50	0			
Mar-12	-81.50	36	0		
Apr-12	-112.00	66.5	30.5	0	
May-12	-142.00	96.5	60.5	30	0.00

Crush Margin:

	Ready Indore	Nov	Dec	Jan
Soybean	24550	25005.00	25365.00	25670.00
Crush Expenses	950	950	950	950
Cost	25500.00	25955.00	26315.00	26620.00
Refined Soy Oil	663.3375	699.50	686.50	662.40
Solvent Oil	633.34	669.50	656.50	632.40
Oil Share	12666.75	13390.00	13130.00	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	26426.75	27150.00	26890.00	26408.00
Margin	926.75	1195.00	575.00	-212.00

Spot - Soy Meal

Soy meal prices	1/20/2012	1/19/2012	1/18/2012	1/17/2012	1/16/2012
FOR Mumbai PP Bags (₹/MT)	18525.00	18325.00	18125.00	18125.00	18325.00
FOR Bedi Bunder (₹/MT)	18375.00	18175.00	17975.00	17975.00	18175.00
FOR Kakinada (₹/MT)	18475.00	18275.00	18075.00	18075.00	18275.00
Spot (45-46% Protein) (₹/MT)	17025.00	16825.00	16625.00	16625.00	16825.00
Spot (48% Protein) (₹/MT)	17125.00	16925.00	16725.00	16725.00	16925.00
FAS Mumbai (\$/MT)	378.50	374.50	370.50	370.50	374.50
FAS Bedi Bunder (\$/MT)	381.50	377.50	373.50	373.50	377.50
FAS Kakinada (\$/MT)	383.50	379.50	375.50	375.50	379.50
FOR Bedi Bunder (\$/MT)	369.50	365.50	361.50	361.50	365.50
FOR Kakinada (\$/MT)	371.50	367.50	363.50	363.50	367.50
Argentina FOB (\$/MT)	348.88	348.88	340.06	337.97	335.21
Brazil FOB (\$/MT)	357.90	357.90	351.60	343.95	333.95

Edible Oils

Recommendation: Soy Oil MAR CBOT: Sell at \$51.20-51.55 TP \$48.70 then \$47.30 SL \$52.65

Soy Oil FEB NCDEX: Sell at 706-708 TP 683 then 670 SL 716

CPO BURSA MAR: Buy at 3133-3140 TP 3235 then 3270 SL 3090

CPO FEB MCX: Trading Range 509-537

Edible oil prices remained lower with limited fall in comparison to soybean. Drop in exports of palm oil during first 20 days by 14% to 799210 tons v/s 933553 tons compared to same period last month triggered down fall. Inactive buying from Pakistan and China for Malaysian palm oil kept prices lower. Spot prices declined from ₹685/10kg to ₹670/10kg and stabilized at ₹675/10kg towards closing of the week. Higher stocks of other edible oils at ports also kept prices under pressure. Demand for edible oil also remained very slack post festive season. Soy oil exports sales from U.S increased to 18.7 tons compared to 1.1 tons in the previous week which also limited the down fall in prices. Decline in crude oil prices also affected prices of the soy oil and palm oil which substantiated the prices of edible oils to decline.

Futures prices: Soy oil

NCDEX (₹/10 Kg)									
Contract	Open	High	Low	Close	% Change	Volume	% Change	Open Interest	% Change
Feb-12	708.00	715.90	684.60	699.40	-1.57%	994570	-22.80%	128330	2.27%
Mar-12	695.00	701.00	673.25	686.50	-1.16%	357300	-8.10%	85620	47.52%
Apr-12	691.00	697.70	667.50	680.10	-1.49%	69530	3.45%	45110	38.54%

CPO

MCX (₹/10 Kg)									
Contract	Open	High	Low	Close	% Change	Volume	% Change	Open Interest	% Change
Jan-12	518.60	519.40	518.60	518.90	-0.44%	73	-61.17%	1401	-4.37%
Feb-12	523.50	523.50	520.00	521.70	-0.46%	295	-69.11%	5694	2.08%
Mar-12	526.10	527.50	526.00	527.00	-0.40%	90	-89.25%	3187	7.71%

Spot price

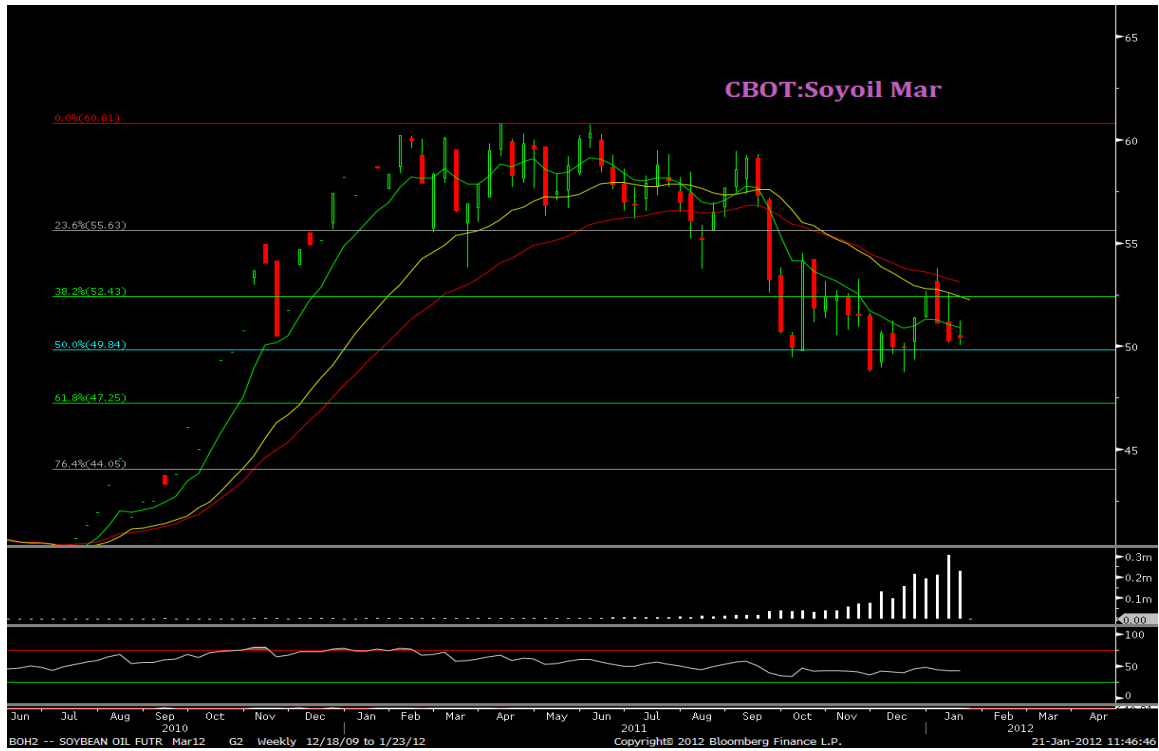
Soy oil-spot prices	01/09/12	01/10/12	01/11/12	01/12/12	01/13/12	01/20/12
Ex Factory Indore (₹/Ton)	56000	56000	56000	59000	59000	58000
Spot Indore (₹/Ton)	66200	65600	66000	65800	65200	63500
Refined (₹/Ton)	60200	68500	68500	69000	57000	66300
Degum Spot Ex-Mumbai (₹/Ton)	66500	66200	65500	65000	65000	64000
Crude Ready Mumbai (₹/Ton)	65000	64500	64500	64200	64000	64000
Solvent Crude Indore (₹/Ton)	65800	65000	65000	64200	63500	63500
CIF Mumbai Degum (\$/Ton)	1198	1215	1205	1208	1195	1200

Parity Price of Argentina Soy Oil	1/13/2012	1/11/2012	1/10/2012
FOB Value (\$/t)	1100.00	1125.00	1133.00
Freight	60	60	60
Insurance @1% on FOB	11.00	11.25	11.33
CIF Value	1171.00	1196.25	1204.33
Customs Duty (Calculated on tariff value @ \$580/tonne)	0	0	0
Currency USDINR	51.4300	#N/A	#N/A
Convert (\$ to Rs)	60225	#N/A	#N/A
Landing Charges	1200	1200	1200
Landed cost at Indian ports	61424.53	#N/A	#N/A
Landed cost at Indian ports per 10 kg	614.25	#N/A	#N/A

Landed cost of Brazilian Soy Oil	1/20/2012	1/19/2012	1/18/2012
FOB Value (\$/t)	1116.90	1116.90	1091.30
Freight	60	60	60
Insurance @1% on FOB	11.17	11.17	10.91
CIF Value	1188.07	1188.07	1162.21
Customs Duty (Calculated on tariff value @ \$580/tonne)	0	0	0
Currency USDINR	50.2200	50.1400	50.3000
Convert (\$ to Rs)	59665	59570	58459
Landing Charges	1200	1200	1200
Landed cost at Indian ports	60864.83	60769.78	59659.31
Landed cost at Indian ports per 10 kg	608.65	607.70	596.59

Outlook: Edible oil prices might remain on loosing spree in the week ahead. Absence of the Chinese buyers for palm oil and soy bean, might affect the prices. Chinese Lunar New Year holidays from 23 might result in weaker demand for the oilseed complex which might keep prices under pressure. Weak exports of soybean projected might keep prices under pressure. Higher port wise stocks of edible oils for the month of the January are reported due to the weak domestic demand. NOPA crush report has reported higher oil stocks in us which are negative for prices. In domestic markets buyers are looking forward for development in weather scenario and performance of the rupee which would be deciding factors for the imports during February- May which is peak importing period for soy oil.

Technical Analysis: Price has been trade in the range of \$52.67-\$50.00 levels in CBOT platform on last week. Closing of the candle stick is suggesting limited downside momentum in coming session. Principle of Fibonacci retracement states that prices are witnessing immediate crucial support at \$50.00 which is 50% of the range \$38.70-\$61.33 levels. Incase on beach and sustained trade below might test recent low of \$48.70 for near term from technical end crucial support is seen at \$47.30 levels which 61.8% of the above mentioned Fibonacci retracement levels. If prices breach and sustained below might resumes previous short term bearish rally. Higher side immediate resistance is seen at \$51.20 which is weekly 8 EMA level and next resistance is seems to be abound \$52.65 levels which is Fibonacci retracement of 23.6% and also this level is matching with medium term weekly moving average (21). Momentum indicator RSI-14 is supporting prices to trade limited down side by treading at 0.410 levels. Overall expecting prices to trade down side and recommended to sell at higher levels.



Mustard Seed

RECOMMENDATIONS: RM SEED APRIL NCDEX: Buy at 3280-3301 TP 4414 then 3467 SL 3240

Mustard seed prices extended losses last week in line with the soy complex owing to the week demand prevailing in the spot markets. Spot prices declined from ₹3600/quintal to ₹3450/quintal across major markets due to absence of demand from meal from china. Arrivals had increased from 40000 bags to 55000 bags towards closing of the week which further kept prices under pressure. Weather over Rajasthan regions were supportive for the crop which affected the market sentiments.

Futures prices:

NCDEX (₹/Quintal)									
Contract	Open	High	Low	Close	% Change	Volume	% Change	Open Interest	% Change
Feb-12	3450.00	3484.00	3271.00	3363.00	-2.97%	657170	0.69%	116280	28.97%
Mar-12	3495.00	3530.00	3326.00	3410.00	-3.13%	168310	30.51%	29830	-15.14%
Apr-12	3430.00	3564.00	3423.00	3548.00	4.54%	83750	-31.15%	35150	48.56%

Mustard seed/oil-spot prices	1/9/12	1/10/12	1/11/12	1/12/12	1/13/12	1/20/12
Rajasthan	36940	37210	37250	37540	37610	37300
Delhi	36100	35500	35000	34500	34000	35250
Oil Jaipur	79000	79000	79000	79000	79000	76500
Oil Mumbai	82000	81800	81800	80000	79500	79500

Outlook:

Mustard seed prices might open on lower side along with soy complex while down side might be limited in mustard prices. Waning demand for edible oils in domestic markets and absence of fresh exports orders of mustard meal from china might also keep prices down side initially. However we express doubts about cold wave conditions being supportive for mustard crop. Solvent extractors association survey during February would be estimating actual production estimates which are currently hovering from 55-70 lakh tons. We expect production might decline to 65 lakh tons which is lower than 75 lakh tons during last year.

**Tables are updated as on 11 A.M on 21/1/2012*

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