

4 February 2012

Soybean

Recommendations: Soybean MAR CBOT: Buy at \$1206-1210 TP \$1294 SL \$1146

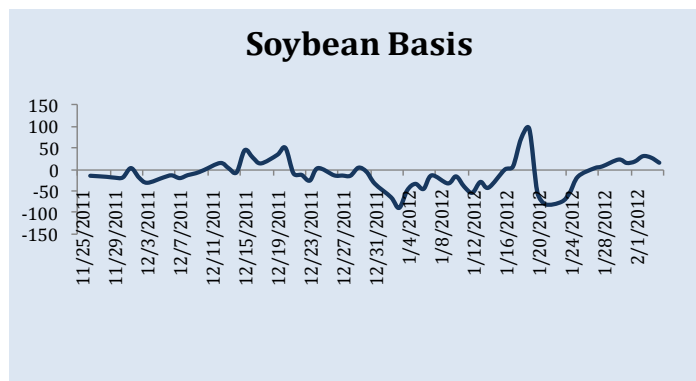
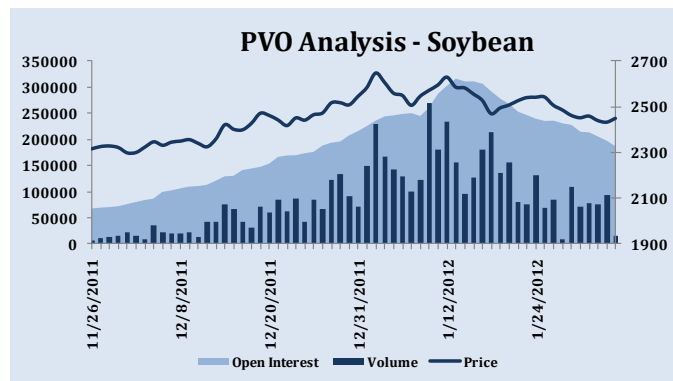
Soybean FEB NCDEX: Buy at 2446-2450 TP 2505/2542 SL 2401

Soybean futures remained on losing spree during last week owing to better crop conditions over South America. Improving crop conditions in Argentina and Brazil regions dampened the prices at CBOT and same impact could be seen on Indian prices as well. Though the production estimates were revised further lower in Brazil and Argentina market reacted more to the current crop development scenario which was better. Weekly export sales data for bean as such was lower which kept the prices lower. Chinese demand took a while to reemerge after a week long holiday for New Year in the penultimate week. Spot prices marginally decreased to Rs. 2450/quintal from Rs. 2380/quintal during last week. Meal demand remained subdued across major markets due to absence of fresh export demand from china. China imposed ban on Indian oil meal imports as some contaminants were found in mustard meal exported from India.

Futures:

NCDEX (₹/Quintal)									
Contract	Open	High	Low	Close	% Change	Volume	% Change	Open Interest	% Change
Feb-12	2478.00	2499.00	2420.00	2449.00	-1.51%	118700	9.80%	227970	-7.56%
Mar-12	2515.00	2534.00	2460.00	2491.00	-1.31%	19510	12.15%	229400	-4.57%
Apr-12	2550.00	2600.00	2496.50	2527.00	-1.19%	689450	29.47%	138690	7.82%
May-12	2587.50	2589.00	2519.00	2551.50	-1.10%	508850	-21.99%	24340	66.49%

Derivatives



Outlook:

Soybean prices might resume positive trend in the week ahead on drier weather forecast across Argentina and Brazil regions. Such dry weather over Argentina regions might affect late sown soybean crop. Rain is still needed to maintain current yield forecasts for late-planted crops especially second crop of soybeans in Argentina. Major data for soybean and palm oil is due for release in both Indian and International markets during next week. Market could start factoring in the effect of data well in advance from the beginning of the week. World Agriculture Supply demand report which is due to be released on 9th February might report lower stock piles of soybean for U.S. and further lower production numbers for Brazil and Argentina than last

report which might cushion prices. Weekly export sales data for soy complex is expected better with the Chinese demand shifting towards U.S on lower crop scenario in South American regions.

At domestic front, oil meal export data might report better meal export data for the month of December which supports our positive price outlook. Steep rise in prices could be limited by absence of fresh meal export enquiries and decreasing crushing margins. Expectations of better edible oil imports data for month of January might cap upside movement.

Spread Matrix					
	Spot	Feb-12	Mar-12	Apr-12	May-12
Spot	0				
Feb-12	15.00	0			
Mar-12	-27.00	42	0		
Apr-12	-63.00	78	36	0	
May-12	-87.50	102.5	60.5	24.5	0.00

Crush Margin:

	Ready Indore	Nov	Dec	Jan
Soybean	24640	24490.00	24910.00	25270.00
Crush Expenses	950	950	950	950
Cost	25590.00	25440.00	25860.00	26220.00
Refined Soy Oil	653.505	686.50	678.10	662.40
Solvent Oil	623.51	656.50	648.10	632.40
Oil Share	12470.10	13130.00	12962.00	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	26230.10	26890.00	26722.00	26408.00
Margin	640.10	1450.00	862.00	188.00

Spot - Soy Meal

Soy meal prices	2/3/2012	2/2/2012	2/1/2012	1/31/2012	1/30/2012
FOR Mumbai PP Bags (₹/MT)	18525.00	18425.00	18525.00	18425.00	18525.00
FOR Bedi Bunder (₹/MT)	18375.00	18275.00	18375.00	18275.00	18375.00
FOR Kakinada (₹/MT)	18475.00	18375.00	18475.00	18375.00	18475.00
Spot (45-46% Protein) (₹/MT)	16975.00	16875.00	17025.00	16925.00	17025.00
Spot (48% Protein) (₹/MT)	17075.00	16975.00	17125.00	17025.00	17125.00
FAS Mumbai (\$/MT)	378.50	376.50	378.50	376.50	378.50
FAS Bedi Bunder (\$/MT)	381.50	379.50	381.50	379.50	381.50
FAS Kakinada (\$/MT)	383.50	381.50	383.50	381.50	383.50
FOR Bedi Bunder (\$/MT)	369.50	367.50	369.50	367.50	369.50
FOR Kakinada (\$/MT)	371.50	369.50	371.50	369.50	371.50
Argentina FOB (\$/MT)	364.09	364.09	362.44	355.16	367.01
Brazil FOB (\$/MT)	370.25	370.25	366.85	365.75	358.45

Edible Oils

Recommendation: Soy Oil MAR CBOT: Buy at \$50.60-51 TP \$54.10 SL \$48.60

Soy Oil FEB NCDEX: Buy at 680-682 TP 699 then 716 with stop loss below 670

CPO BURSA MAR: Trading Range \$3040-3150

CPO MAR MCX: Trading Range 501-528

Edible oil prices retained losses in the week gone by owing to weak demand and spot market activities. Drop in exports of palm oil during first 30 days by 17% during the month of January kept Malaysian palm oil prices under pressure which had same impact on Indian markets. Steep drop in the crude oil prices also affected the markets sentiments of edible oil which kept prices lower. Spot prices of soy oil remained stable around ₹655/10kg amidst of bleak demand which left no cues for the futures market to follow. Higher stocks of other edible oils at ports exerted pressure on prices along with better import expectations. Decline in crude oil prices also affected prices of the soy oil and palm oil which took in hand edible oils to decline.

Futures prices: Soy oil

NCDEX (₹/10 Kg)									
Contract	Open	High	Low	Close	% Change	Volume	% Change	Open Interest	% Change
Feb-12	688.15	695.90	674.00	686.50	-0.55%	689450	-7.05%	124450	-4.02%
Mar-12	678.50	685.00	665.80	678.10	-0.10%	508850	33.96%	96120	-3.61%
Apr-12	673.60	680.00	661.50	671.50	-0.28%	131580	71.48%	61150	8.33%

CPO

MCX (₹/10 Kg)									
Contract	Open	High	Low	Close	% Change	Volume	% Change	Open Interest	% Change
Jan-12	513.10	515.60	513.10	514.10	-0.43%	448	91.45%	509	-24.93%
Feb-12	514.00	518.50	514.00	514.70	0.31%	186	-79.63%	3779	-1.31%
Mar-12	519.00	519.40	518.40	518.50	0.29%	50	-92.73%	5150	2.39%

Spot price

Soy oil-spot prices	01/27/12	01/30/12	01/31/12	02/01/12	02/02/12	02/03/12
Ex Factory Indore (₹/Ton)	56000	56000	56000	59000	59000	58000
Spot Indore (₹/Ton)	64500	63000	63000	63000	63000	62500
Refined (₹/Ton)	66300	66500	66500	65500	66100	66100
Degum Spot Ex-Mumbai (₹/Ton)	63500	63000	62500	63500	62000	62500
Crude Ready Mumbai (₹/Ton)	64000	64000	62500	63000	63000	63000
Solvent Crude Indore (₹/Ton)	64500	64800	63000	63000	63000	62500
CIF Mumbai Degum (\$/Ton)	1220	1210	1190	1205	1205	1205

Parity Price of Argentina Soy Oil	2/3/2012	2/1/2012	1/31/2012
FOB Value (\$/t)	1143.00	1135.00	1130.00
Freight	60	60	60
Insurance @1% on FOB	11.43	11.35	11.30
CIF Value	1214.43	1206.35	1201.30
Customs Duty (Calculated on tariff value @ \$580/tonne)	0	0	0
Currency USDINR	48.6000	49.1300	49.5000
Convert (\$ to Rs)	59021	59268	59464
Landing Charges	1200	1200	1200
Landed cost at Indian ports	60221.30	60467.98	60664.35
Landed cost at Indian ports per 10 kg	602.21	604.68	606.64

Landed cost of Brazilian Soy Oil	2/3/2012	2/2/2012	2/1/2012
FOB Value (\$/t)	1128.50	1128.50	1128.30
Freight	60	60	60
Insurance @1% on FOB	11.29	11.29	11.28
CIF Value	1199.79	1199.79	1199.58
Customs Duty (Calculated on tariff value @ \$580/tonne)	0	0	0
Currency USDINR	48.6000	49.0200	49.1300
Convert (\$ to Rs)	58310	58813	58936
Landing Charges	1200	1200	1200
Landed cost at Indian ports	59509.55	60013.46	60135.51
Landed cost at Indian ports per 10 kg	595.10	600.13	601.36

Outlook: Edible oil prices might remain initially under pressure on absence of domestic demand, higher import expectations for the month of January. Weakness in demand for palm oil in Malaysia and expectations of stock piles to increase, exports to decrease for month of January might add minimal pressure initially. But, strong fundamental factors for soybean might help soy oil prices to recover from lower levels. Better meal exports data might create good buying levels for 7-10 days time. Fresh export demand for Malaysian palm oil is anticipated from china and India to meet their edible oil requirement which keeps near term positive trend intact. Bulk buyers who were waiting for reasonable prices can be more inclined towards buying in spot markets supporting futures to recover from low levels. Absence of crushing activities might also lead the buyers to be more dependants on port wise stocks or imports which could support prices from lower levels.

Technical Analysis: Prices are still trading in a falling trend channel however looking at daily prices chart prices are witnessing formation of piercing pattern which is consider as a trend reversal. Other technical tool like Fibonacci retracement is supporting this view where prices are corrected up to 50% of the range 590-754 levels in the last session prices have recovered sharply after testing 50% level. But any sustainable trade above the trend channel resistances levels might confirm short term reversal. Prices are witnessing immediate support at 680 levels which is recent low. Next crucial support seems to be around 670 levels which is Fibonacci retracement of 50% of the above mentioned range any sustainable trade below the same confirm short term bearish trend. Principle of Fibonacci retracement states that prices are witnessing resistance at 699 levels which is of 38.2% of the above mentioned range and crucial trend channel resistance is seems to be around 699 levels. Break above the same might support prices to continue to trade higher side up to 716 levels. Overall expecting prices to trade higher side recommended buying at lower levels.



Mustard Seed

RECOMMENDATIONS: RM SEED APRIL NCDEX: Buy at 3255-3261 TP 3360/3409 SL 3232

Mustard seed prices extended losses steeply during last week as start of fresh arrivals affected the spot prices as well as futures. During the week spot prices declined by ₹30-50/quintal across major markets. Arrival pressure surged better during the week as arrivals increased from 60000 bags to 80000 bags towards the end of the week. Amongst this fresh arrivals increased to 30000 bags from 10000 bags at beginning of the week.

Futures prices:

NCDEX (₹/Quintal)									
Contract	Open	High	Low	Close	% Change	Volume	% Change	Open Interest	% Change
Feb-12	3329.00	3349.00	3235.00	3268.00	-1.60%	568440	-28.88%	137110	-2.50%
Mar-12	3365.00	3398.00	3286.00	3319.00	-1.66%	216860	-2.40%	65620	10.51%
Apr-12	3430.00	3564.00	3423.00	3548.00	4.54%	83750	-31.15%	35150	48.56%

Mustard seed/oil-spot prices	1/27/12	1/30/12	1/31/12	2/1/12	2/2/12	2/3/12
Rajasthan	33780	33150	32870	32990	32820	32480
Delhi	35250	34000	33000	32750	33000	33100
Oil Jaipur	74500	73500	72500	72000	71500	71500
Oil Mumbai	77500	76500	75500	75000	74500	74500

Outlook:

Mustard seed prices might get cushion from soy complex and remain on higher side. Oil meal export data for the months of January might be released during next week. Amount of exports during this time is estimated to be higher which supports the prices. Second advance estimates of oilseeds indicate lower production by 2 million tons to 30.53 million tons compared to 32.48 million tons last year. Majority of the loss in production is contributed by mustard whose production might decline by 10 lakh tons in current year. Lag in acreage by 4 lakh hectares in rajasthan- major mustard producer is seen to have affected the production. Panel of member from china are visiting India shortly to evaluate the crushing process and reconsider lift of meal import ban from India which is affecting markets sentiments. Fresh crop arrivals have started in nominal quantities which is attracting the stockists lending support to the spot prices as well as futures. 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 4/2/2012*

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