

Daily Indian Oil and Oilseed Complex Price Outlook and Strategy

Decision enabling market analysis & price outlook

For Mar 04, 2015

Summary		
Fundamental Summary	Price drivers	Impact
	Concerns of rapeseed crop damage	Positive
	Prevailing negative crush margin	Negative
	Anticipation of higher edible oil imports	Negative
	Easing logistical hiccups across Brazilian front	Negative

Fundamental Review and Analysis

- ✓ Indian soycomplex prices traded mixed wherein soybean prices fell owing to sluggish soymeal exports demand coupled with bearish international soy market while rapeseed prices gained on concerns of crop damage by recent rains coupled with lower acreage and carry over stock. Meanwhile, the ongoing rapeseed harvest capped the excessive gain in prices for the session under review.
- ✓ At the rapeseed front, rainfall across northern and central part of India in the past few days damaged the rapeseed crop which is in harvesting stage. In this context, as already rapeseed acreage remain lower by around 9% on Y-o-Y basis, further disturbances from the weather might reduce the rapeseed production by another 1-2 lakh tons to 60 lakh tons against earlier estimate of 62-63 lakh tons.
- ✓ Moving ahead, the prevailing negative crush margin at the domestic front is keeping the processors away from the market, thus limiting the crush and increasing the ending stock. Meanwhile, reserved selling from the farmers front owing to lower than expected prices limited the availability of soybean at the physical front. Such scenario of lower soybean crush and restrained supplies might weigh on the prices for the short term.
- ✓ On the sowing front, as on 26th Feb, Rabi oilseeds acreage declined by 10% to 81.69 lakh ha from last year. The major fall in acreage is witnessed across safflower (47%), sunflower (28%), groundnut (15%), linseed (10%) and rapeseed (9%). Meanwhile, sowing area of sesame increased by 40% to 1.43 lakh ha against 1.02 lakh ha last year with a significant increase in acreage across AP.
- ✓ Owing to fall in overall oilseeds production across India followed by lower soybean crush and supply tightness at rapeseed front might limit the availability of domestically produced edible oil, thus increasing the dependency on edible oil imports. In this context, India's edible oil imports are expected to jump to a record high of 12.5-13 million tons this year, including a 1 million ton rise in palm arrivals to 9 million tons. Meanwhile, nearly 60 percent of India's annual edible oil demand of 18-19 million tons is met by overseas purchases, consisting mainly of palm oil sourced from Indonesia and Malaysia.
- ✓ At the exports front, fading demand for Indian soymeal due to uncompetitive quotes against the major suppliers like US and Argentina continue to keep the soybean prices under pressure. Meanwhile, some of the key importers such as Vietnam and South Korea shifted towards US soybean supplies in order to safeguard their domestic crush margin and meet their domestic demand up to certain extent.
- ✓ At International front, easing logistical hiccups across the Brazilian front coupled with harvest across the Brazil and Argentina to pick pace has weighed the overall complex. In this context, prices remain under pressure on expectations that overseas buyers would shift more demand toward South America as concerns about a truckers' strike in Brazil eased.
- ✓ At the palm front, on the ongoing POC majority of the renowned speaker remain on the bearish side of the palm in medium to long term, thus might keep the overall prices under pressure, however, anticipated higher palm oil export mainly to India might offer support to the prices.
- ✓ Meanwhile, the focus continues to remain on the Indian front regarding import of higher palm oil in the current marketing year. In this context, India is expected to import more palm oil this year due to a domestic deficit in vegetable oil stockpiles, helping offset a drop in demand for the tropical oil from the biofuel sector.

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- ✓ On the whole, advancement of rapeseed harvest coupled with subdued soymeal exports demand is likely to weigh on the prices, however, concerns of rapeseed crop damage coupled with lower rabi oilseeds acreage might limit the aggressive fall in prices.

In crux, Indian edible oil & oil seed prices are likely to trade on range bound note in the coming 2-3 sessions.

Technical Analysis

NCDEX Soy oil Futures					
Apr'15 Futures	INR 593.20 per 10 KG as on Mar 3, 2015				
Technical Summary	<p>NCDEX Soy oil Apr'15 Contract price traded mixed and closed at INR 593.20 in the last session. Note that prices breached below the rising channel and holding below short term moving average, which signifies that trend is bearish and any upside move would be restricted to INR 600. Hence prices are likely to trade lower towards INR 580 in the coming few sessions. With major trend being bearish prices testing INR 575-570 can't be ruled out.</p>				
Price outlook summary	NCDEX Soy oil Apr'15 futures price is likely to stay below INR 605 trade lower towards INR 585 in the coming few sessions.				
Price Ranges	Next five sessions		Next ten sessions		
	Initial Level	Subsequent Level	IL	SL	
	INR 600	INR 580	INR 585	INR 573	
Strategy Review	For fresh position traders may consider below mentioned strategy				
Trading Strategy (Apr'15 Contract)	Filled on	Position	Entry	Objective	Stop Loss
	--	Sell	Below 590	573	Above 597
Performance Audit					
NCDEX Soy oil Futures	FY 2013-14		OND'14		
Strike Rate %	65.22 %		77.78%		
Net profit / Gross profit Ratio %	54.82%		72.60 %		

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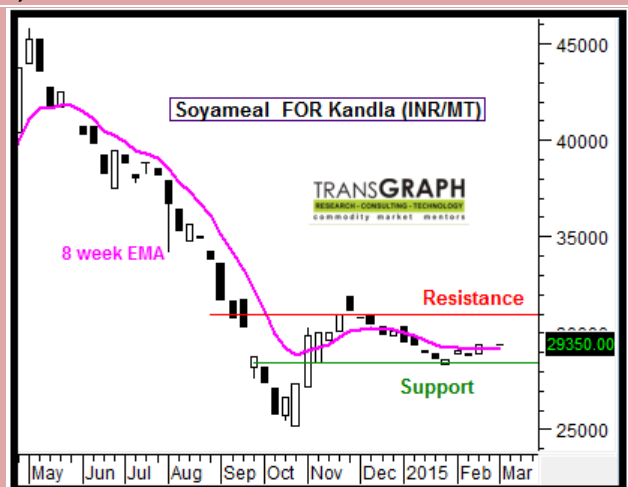
MCX CPO Futures					
Mar'15 Futures	INR 465 per 10 Kg as on Mar 03, 2015				
Technical Summary	<p>MCX CPO Mar, 2015 contract price after finding support around INR 455 traded with positive momentum and closed at INR 459.90 in the last session. Price is seen consolidating in broader range of INR 475-450 for past few weeks. Short term structure is positive. While Long term structure is still negative and stiff resistance is placed in the range of INR 470-475 and market holding below the same lower price towards INR 430 cannot be ruled out in the coming few weeks. While on the upside break above INR 475 likely to drive the price further higher towards INR 490.</p>				
Price outlook summary	MCX CPO Mar'15 price is likely to trade mixed in the range of INR 475-450 in the coming few sessions.				
Price Ranges	Next five sessions		Next ten sessions		
	IL	SL	IL	SL	
	INR 470	INR 475	INR 475	INR 460	
Strategy Review	Traders are advised to wait for fresh position.				
Trading Strategy (Mar'15 Contract)	Filled on	Position	Entry	Objective	Stop Loss
	--	Wait	--	--	--
Performance Audit					
MCX CPO Futures	FY 2013-14		OND'14		
Strike Rate %	58.82		62.50%		
Net profit / Gross profit Ratio %	60.91 %		64.18%		

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NCDEX Soybean Futures					
Apr'15 Futures	INR 3375 (-10.00) per Qtl. as on Mar 03, 2015				
Technical Summary	<p>NCDEX Soybean Apr'15 Futures after finding support near INR 3350 traded in tight range on Tuesday while holding below 10 day and 21-Day EMA while trend remains sideways. Prices are likely to hold above INR 3350 and trade higher towards falling trend line resistance near 3420 followed by 3460. On the lower side prices have support at 3350 followed by 3330</p>				
Price outlook summary	Price is likely to hold above INR 3350 and consolidate towards INR 3450 in the coming few sessions.				
Price Ranges	Next five sessions		Next ten sessions		
	Initial Level	Subsequent Level	IL	SL	
	3360	3450	3450	3300	
Strategy Review	The suggested long position got filled at INR 3360 on 03 Mar'15. Traders may hold the same in line with the below mentioned strategy.				
Trading Strategy	Filled on	Position	Entry	Objective	Stop loss
	03 Mar '15	Bought	At 3360	3430	Below 3320

NCDEX Soybean Futures	FY 2013-14	Jan'15
Strike rate %	87.91 %	75.00 %
Net profit / Gross profit Ratio %	89.90 %	43.88 %

Soy Meal FOR Kandla, INR/MT	
Last closing	INR 29,350 (250.00) per MT as on March 03, 2015
Technical Summary	<p>Soy Meal prices after finding support at INR 28,400 are trading on a positive note. Currently prices closed above 8 Weeks EMA. Note that the current zig-zag move is a correction to the prior rally started from 25000. Hence going ahead prices are likely to sustain above INR 28000 and trade higher. On the lower side prices have support around 28000. On the higher side prices may find resistance around 30,200-30,350.</p>
Price outlook summary	Prices are likely to trade higher towards INR 30,350 while holding above 28000 in the coming weeks.



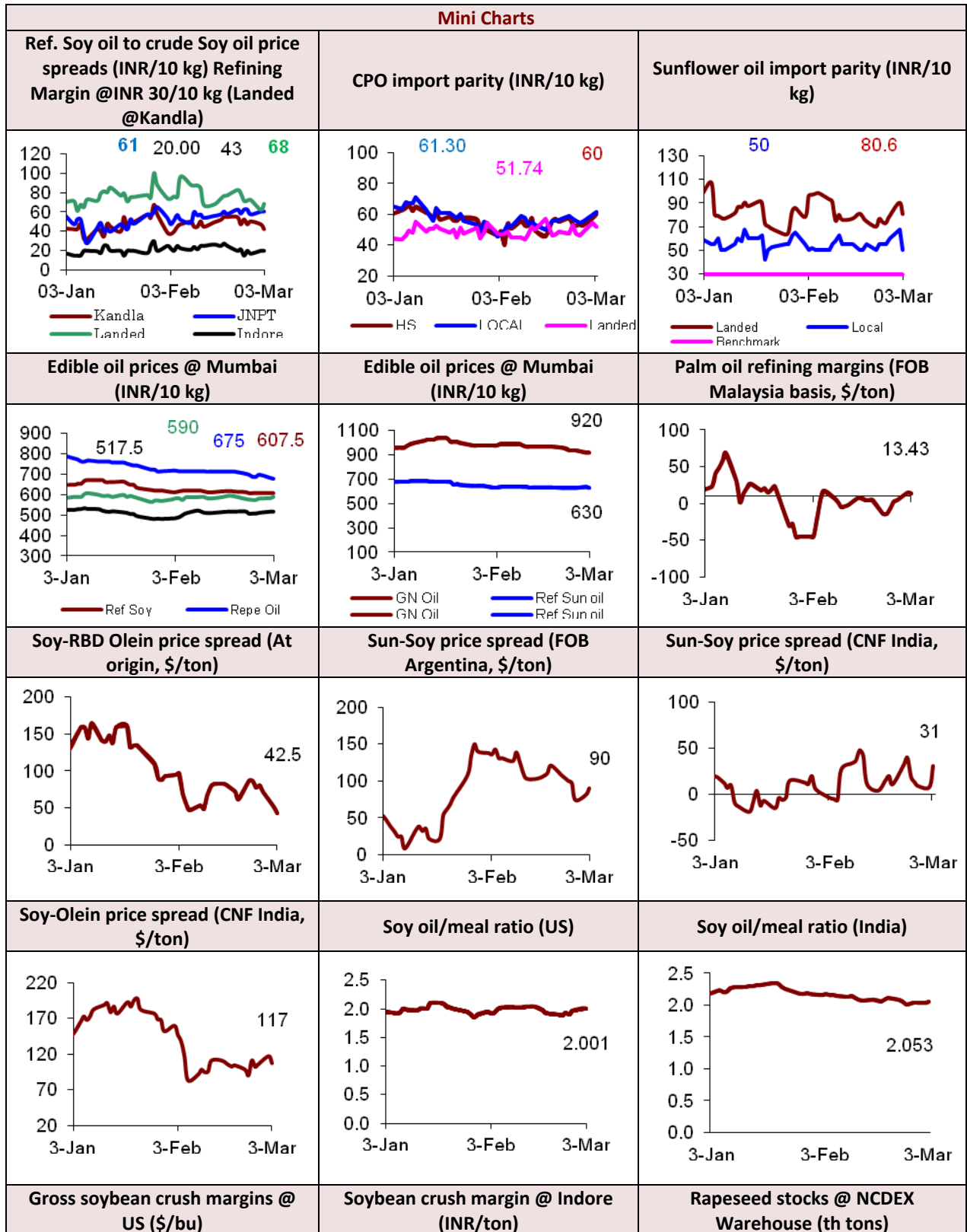
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Price Ranges	Next five sessions		Next ten sessions	
	Initial Level	Subsequent Level	IL	SL
	29500	30500	29000	31000

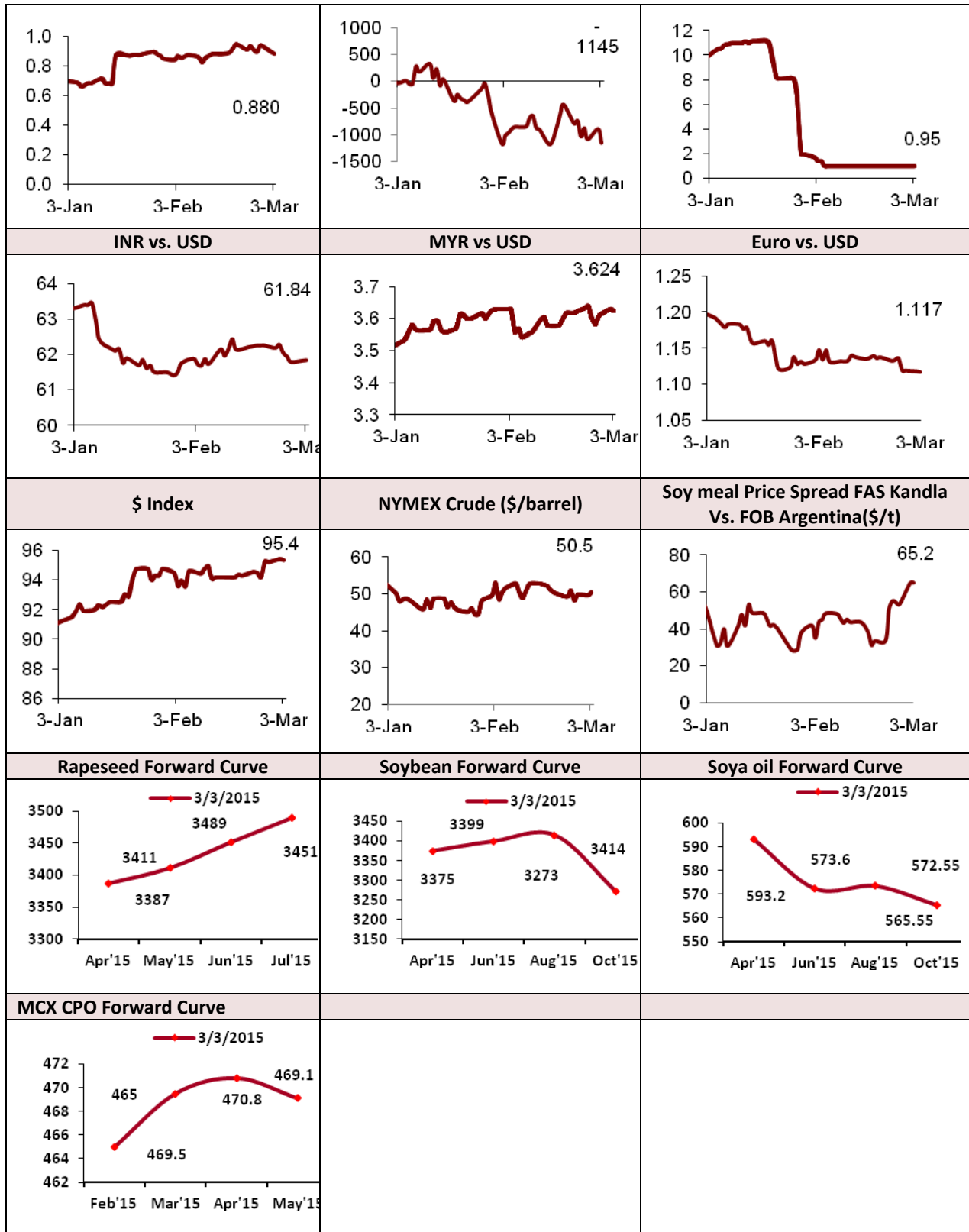
NCDEX Rapeseed Futures					
Apr'15 Futures	INR 3387.00 (+11.00) per Qtl. as on Mar 3 2015				
Technical Summary	<p>NCDEX Rapeseed Apr'15 Futures price is seen experiencing a strong resistance at INR 3410. In the session under review prices breached above INR 3410 but failed to sustain and closed on a negative note. Also note that prices are seen consolidating above INR 3330 with a 3-wave structure, hence going forwards prices are likely to trade lower towards 3330 to 3290 in the coming few sessions. On the higher side key level would INR 3410 followed by stiff resistance at INR 3450.</p>				
Price outlook summary	Prices are likely to trade towards INR 3300 and consolidate above it in the coming few sessions.				
Price Ranges	Next five sessions		Next ten sessions		
	Initial Level	Subsequent Level	IL	SL	
	3390	3300	3330	3450	
Strategy Review	The suggested shorts are initiated in the last session traders are advised to hold with below mentioned strategy.				
Trading Strategy	Filled on	Position	Entry	Objective	Stop Loss
Apr'15 Contract	3 rd Mar'15	Sold	3400	3300	Above 3450

Performance Audit		
NCDEX Rapeseed Futures	FY 2013-14	Jan'15
Strike rate %	79.72 %	60.00 %
Net profit / Gross profit Ratio %	77.95 %	11.76 %

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Price updates									
Indicative prices of diff. oils (imported vs. domestic) @ Major consuming markets									
		Delhi	Mumbai	Nagpur	Lucknow	Kota	Kolkata	Hyderabad	
RBD Olein	Kakinada	NF	NF	NA	NF	NF	NF	NA	
	Kandla	555	NF	560	560	542	NF	560	
	JNPT	547.5	521.5	540.5	NF	NA	NF	542.5	
	Kolkata	556	NF	NF	NA	NA	520	NF	
Soy refined	Imported	655	582	---	630	612	640	---	
	Local	634.25	623.75	615	632.25	619	---	---	
Comparison of imported vs. local crude soy oil @ Major producing markets									
	Degummed soy		Kandla to			JNPT to			
	Kandla	JNPT	Morena	Kota	Indore	Nagpur	Pune	Khandwa	Dhule
Landed cost	632	632	647	639	625.75	640	622	637	622
Spot	575	562	590	582	555.75	570	552	567	552
Solvent oil local prices			NA	NA	585	NA	NA	NA	590
Note:									
All prices are indicative and exclusive of taxes and might not be quoted in the markets.									
In the case of consumption markets, domestic soy oil is assumed to be shipped from Indore and in the case of imported oil; the nearest port quote is taken. Ref oil indicative price is arrived by adding INR 30/10 kg to crude oil and INR 15/10 kg to degummed oil.									
In producing markets, degummed imported oil is converted to crude oil by deducting INR 15/10 kg and nearest port prices are used for different markets.									
Units: INR/10kg NF-Not feasible, NA- Not available									

03-Mar-2015						
Commodity	Contract	Open	High	Low	Close	Change
Bean	Apr'15	3368	3380	3355	3375	-10.0
	Jun-15	3375	3402	3375	3399	-6.0
Soy Oil	Apr'15	592.8	594.9	591.4	593.2	-0.4
	Jun'15	571	574.8	570.2	572.55	0.6
Rapeseed	Apr'15	3385	3405	3358	3387	11.0
	May'15	3389	3424	3377	3411	14.0
MCX CPO	Mar'15	458	466.1	455.1	465	5.1
	Apr'15	464.3	470.6	460.5	469.5	3.8

Units - Soybean : INR/Qtl; Soy oil : INR/10 kg; Rapeseed :INR/Qtl; CPO : INR/10 kg; Contract size : 10 MT

Oil and oilseed spot prices		
Commodity & Market	03-Mar-2015	02-Mar-2015
Soybean Indore	33895	34020
Soybean Nagpur	34361	34527
Cr Soy oil Indore	58500	58750
Ref. Soy oil Indore	61000	61250
Degum oil Kandla	56000	56000
Soy Meal FOR Kandla	NA	NA
Soy meal FAS Kandla (\$/ton)	447.5	NA
Rapeseed, Alwar	36206	36925

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Rapeseed, Jaipur	35165	35171
Refined rapeseed Oil Jaipur	69500	70000
Rapeseed ext Ex-Kandla	16200	16400

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