Stronger ₹ will raise pressure on industrial metal prices

The markets witnessed a higher turnover last week as traders displayed a higher risk appetite, especially in industrial metals on the short side. The week-on-week market-wide turnover on the MCX rose by 12%. The market-wide open interest rose by 18% as traders increased bet sizes in the new derivatives cycle in June. The MCX turnover gainers during the week were aluminium, copper, crude oil, crude palm oil, gold, mentha oil, nickel, silver and zinc. The open interest gainers were cardamom, cotton, copper, crude oil, crude palm oil, gold, natural gas and nickel. At 384.7 million barrels, the US non-strategic petroleum reserves were higher by 2.2 million barrels. The fresh fears on the Spanish front brought safe haven buying back to bullion and exerted downward pressure on industrials. The contraction in the Chinese economy also played a part in causing range expansion on the downside. Any strength in the rupee will add to the pressure on industrial metal prices.

**Commodity Technicals**

**Mentha oil** remains under pressure and I maintain my previous week’s opinion that traders should seek out fresh short-selling opportunities on advances as the summer months are cyclically bearish for the counter. Awaits levels above ₹1,300 to seek fresh short-selling infection points. Market internals indicate a 15% increase in turnover and a 17% decrease in open interest.

**Potato** has tested the critical ₹1,050 support but managed to close above it. Should the price stay below this threshold, expect the bears to enhance their presence. Avoid buying for now. Market internals indicate a 21% decrease in turnover and a 9% decrease in open interest.

**Metals**

**Aluminium** (pictured above) has declined sharply in line with its peers and the next support to watch out for is at ₹107. Should the bears manage to keep the price below ₹107 sustainably, fresh downside potential opens up. Avoid bargain-hunting on declines. Market internals indicate a 6% increase in turnover and a 26% decrease in open interest.

**Copper** has recorded its lowest weekly closing since the week to February 18 and highlights the weakness prevalent in the undertone. The probability of sinking past ₹400 is fair and traders are advised to defer buying decisions till such time as the counter shows signs of finding support. Market internals indicate a 3% increase in turnover and a 37% increase in open interest.

**Gold** has rallied sharply on the back of nervousness on the Spanish slowdown fears. Bear-covering added to the velocity on the upside and the same may continue as long as the bulls manage to defend ₹29,450 in case of a decline. The rupee may gain strength and cap the gains in bullion but the larger trend remains positive. Market internals indicate a 23% increase in turnover and a 25% increase in open interest.

**Nickel** has violated a short-term trendline support by falling past ₹900 and the longer it stays below this threshold, the greater the probability of a fresh decline. The metal gets into a bullish groove only above ₹950 and therefore, bulls need to stay away from the counter for now. Market internals indicate a 21% increase in turnover and a 47% increase in open interest.

**Silver** has witnessed a small-bodied doji for a fortnight in a row and may indicate a tactical shift in direction as long as follow-up buying is forthcoming. While the white metal has underperformed gold in recent sessions, an attempt to play catch-up cannot be ruled out. A forceful and sustained breakout past ₹55,400 levels will bring the bulls back in the reckoning. Market internals indicate a 4% increase in turnover and a 7% decrease in open interest.

**Zinc** has fallen in tandem with its peers and is likely to see a meaningful support at ₹102. As long as the bulls manage to hold this threshold on the way down, there is a slim chance of a revival. Fresh buying is warranted only above ₹108. Market internals indicate a 12% increase in turnover and a 5% decrease in open interest.

**Energy**

**Crude oil** has logged a lowest weekly close since the week to November 5. That is a clear indication that the bulls are on the ropes. The rising US commercial inventories and demand destruction due to economic contraction are keeping a lid on prices. Barring technical pullbacks, the outlook suggests downwards. Avoid bargain-buying as the rising open interest suggests bears are enhancing their exposure. Market internals indicate a 28% increase in turnover and a 41% increase in open interest.

**Natural gas** has fallen in tandem with crude oil as de-leveraging by players was seen on the commodity. The next meaningful support may be seen near ₹120. Till then, avoid bargain-hunting. Market internals indicate a 26% decrease in turnover and a 38% increase in open interest.

The columnist is the author of A Trader’s Guide to Indian Commodity Markets and invites feedback at vijay@GSPIndia.com

Fair disclosure: the analyst has exposure to silver futures discussed above.
कोयला नियामक बिल पर जीओएन

पारदर्शिता की कवायद

• प्रधानमंत्री ने सी मंजूरी, नी सरदार होगे मंत्री समूह में
• समूह की अनुबंध पर सरकार ने नहीं किया फैसला

सरकार ने अपनी पीठड़ा नहीं किया है कि मंत्री समूह की अनुबंध को लेकर।

मंत्री मंत्री के बीच के संबंध का स्वीकार किया करेंगे।

विज्ञापन के कुछ प्राक्कलन पर सहमति नहीं बने थे।

विज्ञापन के कुछ प्राक्कलन पर सहमति नहीं बने थे।
कोयला नियामक विधेयक
पर मंजी समूह का गठन

नई दिल्ली, (प्राप्त): प्रधानमंत्री नरेंद्र मोदी सरकार के लिए नियामक विधेयक का गठन करने के लिए कोयला नियामक विधेयक के मंजी समूह को गठन किया है। मंजी समूह में कोयला बनाने वाले लोगों की मदद के लिए नियामक विधेयक का गठन किया गया है। मंजी समूह के लिए कोयला नियामक विधेयक का गठन किया गया है।
Take tough decisions, say industry bodies

K. Balchand

NEW DELHI: Perceptive differences apart, major industry and commerce bodies have called for a unified approach to steer the economy through a new crisis looming large on the horizon.

While the Federation of Indian Chambers of Commerce and Industry (FICCI) blamed the government for the present mess, the Assocham (Associated Chambers of Commerce and Industry) described the situation as a passing phase and condemned a section of India Inc. for propagating a pessimistic outlook. Both bodies, however, wanted the government to tighten its belt and take tough decisions.

FICCI president R.V. Kanoria attributed the current situation to domestic factors such as “excessive monetary tightening, delays and uncertainty over key economic legislations, project delays on account of factors including stalled environmental clearances, problems in land acquisition, prolonged pause in reforms and an atmosphere of unwillingness in decision-making in the bureaucracy.”

Besides emphasising the need to contain the fiscal situation, Mr. Kanoria suggested a moratorium on duties and stopping the passage of the Land Acquisition Rehabilitation and Resettlement Bill.

Among the dos were implementation of the GST (Goods and Services Tax), lowering interest rates by 200 basis points, fiscal stimulus for investment through accelerated depreciation, investment allowance, scrapping MAT (Minimum Alternate Tax) for infrastructure, and reforms in FDI policy and mining and coal sectors and decontrolling diesel prices.

On the other hand, Assocham president Rajkumar Dhoot lashed out at the negative sentiments doing the rounds. He stressed that the economy was doing much better at a 6 per cent-plus growth rate, compared to the global economy’s meagre 2 per cent.

Mr. Dhoot said a negative outlook was unwarranted even though the government was not doing much to ease the situation. One had to factor in the politics of coalitions and the difference of views on major issues like GST between the Centre and the State governments.

The situation had to be faced with boldness and optimism, he said and hoped the government would address issues of the manufacturing sector and cut down on subsidies to rectify its fiscal imbalance.
Odisha Govt, Posco at loggerheads

Contrary to reports in a section of the media, the Posco-India and the State Government are yet to agree on several issues for signing of a fresh agreement between them. The State’s Department of Law has advised that as the first MoU has already lapsed, the Government needs to enter into a tripartite agreement with Posco-Korea and Posco-India.

"The signing of a new MoU for the Posco India’s 12 million-tonne steel project is likely to be delayed further as an agreement over swapping of iron ore and water linkage is eluding," said a senior official of the State’s Steel and Mines department, who is involved in drafting the new agreement.

Even though the Posco-India agreed to swap iron ore through the State-owned Odisha Mining Corporation (OMC), it is not accepting the Government’s condition that the iron ore would be swapped inside the State. "The Posco-India is insisting that swapping of iron ore should not be restricted to the State only," said the official. According to him, the South Korean company is also not agreeing to the Government’s proposal to source water from Hansua river instead of the Naraj barrage on the Mahanadi.
Growth story is down, not lost

SUSHIM BANERJEE

Are we facing a downturn? This is an issue that is being frequently debated now. The Indian economy grew at a mere 5.3% in the fourth quarter of financial year 2011-12, far lower than anticipated growth of a little more than 6%. The yearly estimates of economic indicators conceal the month-wise journey of these variables.

A look at the quarterly pattern reveals agriculture is gradually slowing down from 3.7% growth in Q1 of FY12 to 1.7% in Q4. With delayed monsoon, this may well lead to rise in food prices in subsequent months. Among the commodity sector, mining, manufacturing and construction — the strongholds of steel consumption — have shown fluctuating trend and the declining growth rates especially in manufacturing from 7.3% in Q1 to minus 0.3% in the fourth quarter, are a clear signal that a few positive steps must be taken to boost up value addition in these critical sectors of the economy.

Only silver lining is in respect of mining and quarrying, which has turned the perceptibly strong negative growth to a positive 4.3% in the last quarter. Possibly the government intervention to resolve mining issues by allotment of coal blocks for power and steel sectors (54 blocks recently allotted) and taking steps to enhance coal production have sent a positive message to commencement of mining.

Mining, manufacturing, construction, electricity, gas and water supply are the sectors where growth emerges on creation of an enabling environment, rather than a few short-term sops. The aspect like market sentiments play an important role in pulling up fortunes. And market sentiments are dependent on interplay of a number of factors like transparency and stability in policy guidelines, peaceful law and order, dynamism in fiscal and monetary policy, free interplay of market forces with appropriate regulatory mechanism, trouble-free movement of goods and services across the states, uniformity in state laws and a few other factors.

An enabling environment would attract private entrepreneurs to come in willingly. The absence of this is confirmed by the declining trend of Gross Fixed Capital Formation as a percentage of GDP from 31.2% in Q1 to a meagre 28.6% in Q4. This is worrisome for investment in construction sector being fed mostly by private investment. The Purchasing Manager Index for May 2012 at 54.8 is marginally lower than April index, but still higher than benchmark of 50. It may be noted that PMI in China in May’12 is still lower at 50.4.

Market sentiment definitely looks at the actual numbers which are least favourable at the moment, but a right environment created by sincere endeavour and a few positive steps can do wonders.

The author is DG, Institute of Steel Growth and Development. Views expressed are personal.
Shanghai copper at 7-month low

Reuters
Shanghai, June 4
Shanghai copper fell more than 3 per cent on Monday to its lowest level since October 24, dragged by disappointing jobs data in the US last week which raised new fears of global economic woes depressing demand for industrial metals. The most-active September copper contract on the Shanghai Futures Exchange stood at 52,770 yuan ($8,300) a tonne at 0726 GMT, after tumbling to a trough of 52,330 yuan earlier in the session.

"Trading volumes and open interest both rose today, indicating the entry of fresh shorts," said a Shanghai-based trader with an international firm.

Investors remain cautious over the financial turmoil in Europe, where Spain's government has delayed by at least a week the adoption of a new mechanism to ease the funding problems of its indebted regions, a government source said.

One LME trader said with current uncertainties, copper could fall to as low as $6,400 in London or 47,700 yuan in Shanghai.

"Unless the governments prove that they can do something to stop the loss of confidence in the markets, there will be a lot more downside to copper."
CISF thwarts fresh Naxal bid to attack NMDC mines

VHAITA SINGH
NEW DELHI, JUNE 4

An encounter was reported between CISF personnel and suspected Naxals near the National Mineral Development Corporation (NMDC) mines in Kirandul district of Chhattisgarh on Sunday night. The incident comes nearly a fortnight after six CISF personnel were killed in an ambush with Naxals.

Officials said no one was injured in the incident and that they managed to abort a possible strike attempt by the Naxals who were all dressed in "black uniforms".

Official sources said the movement was noticed around 9 pm on Sunday and there was heavy firing by the CISF personnel. "We had to take positions on watchtowers and had to fire grenades to scare them away. Our men also fired from AK-47 rifles," said a CISF source.
Hobbled at Home, Steel Cos Turn to Foreign Ore

Falling domestic supplies & clampdown on output spur imports

MEERA MOHANTY
NEW DELHI

An ore carrier at Paradip Port is not considered an uncommon sight. Odisha is, after all, one of the country’s biggest producers and exporters of iron ore — the critical input for making steel. But ‘Dim’, a supramax vessel berthed at Paradip till Sunday evening, was not like any other ore carrier. The ore it carried was from Vale in Brazil and meant for Bhushan Steel’s plant in the eastern state, which accounts for a third of the country’s iron-ore output.

“Selling iron to Odisha is akin to selling ice to Eskimos. Iron-ore imports on the eastern coast were unheard of yet,” says the amused India head of one of the world’s largest miners.

Faced with dwindling supplies and a country-wide clampdown on ore production due to illegal mining, steel companies are doing the unthinkable — importing iron ore to feed their plants. The imports, a trickle now, but which experts warn could easily turn into a torrent, threaten to increase India’s dependence on overseas supplies of crucial mineral resources it owns in abundance. Like coal, which is imported in vast quantities by power companies, the slow rise in imports of iron ore could erode the competitiveness of steel companies, and leave them at the mercy of wild swings in international prices and supply disruptions.

India may Import Ore for a Couple of Years ++ 8
India may Import Ore for a Couple of Years

We are foreseeing a couple of years when India would be importing iron ore — it may not necessarily become a net importer though," said Prakash Duvvuri, senior analyst at Oreteam, a New Delhi-based mining consultancy firm.

Shipping industry and port officials in Paradip say another 150,000 tonnes of ore imports are expected soon to feed the state's ravenous steel mills. They however, couldn't confirm the name of the buyer.

Bhusan Power & Steel, run by Sanjay Singhal, elder brother of Neeraj Singhal, who runs Bhusan Steel, has also been importing pellets from Bahrain and Ukraine. The unlisted firm is building a 3.3-million-tonne steel plant in Odisha. "The shortage of iron ore supplies in Odisha has forced us to import," rules Singhal.

Essar Steel, another steelmaker feeling the brunt of an acute shortage of critical ferrous input, has been importing ore for the past few months, but on the western coast. South African and Bahrain ores have been used to feed the company's facility at Hazira in Gujarat. "We have been importing iron ore for the past couple of months, but will be stopping now. The depreciation of the rupee no longer makes it viable, although international iron ore prices are coming down," Essar Steel CEO Dilip Oommen said. Essar's 8-million-tonne pellet plant in Visakhapatnam was fed by a slurry pipeline from NMDC's Chhattisgarh mine.

That has run dry after being damaged in a Naxal attack last October, and some iron ore is now being supplied through rakes.

"There is an acute shortage, prices of what's available are being hiked in the run-up to the rainy season," said the iron-ore head of another steelmaker in the east, whose raw material requirements are only partially covered by a mine next door in Jharkhand. Companies such as JSW and Welspun in Gujarat, and even a few Surat-based traders on the western coast, have been known to import pellets occasionally. But these were small quantities and nowhere close to the large orders being placed now. Officials close to the big miners such as Vale and Rio Tinto say there is a surge in enquiries. One of Australia's largest miners is said to have received enquiries from India even for iron or fines, which, till recently, India exported in abundance to China. India's domestic iron-ore production has dropped sharply after the Supreme Court ordered mines in Karnataka to shut following a crackdown on illegal mining. Similarly, the Odisha government's clean-up measures have dramatically reduced supply. As per ministry of mines data, provisional iron-ore production is expected to fall from 208 million tonnes in 2010-11 to 170 million tonnes for 2011-12. Odisha's output will be cut by 10 million tonnes to 93 million tonnes. Paradip, which exported 13 million tonnes in 2010-11, is expected to export only about 5.7 million tonnes now.
Ministerial panel formed on coal regulatory bill

PRESS TRUST OF INDIA
New Delhi

PRIME minister Manmohan Singh has approved formation of a nine-member ministerial panel to sort out differences over the draft bill for setting up a regulatory authority for the coal sector.

"The prime minister has approved the formation of a group of ministers (GoM) to look into the draft bill. The government has notified the formation of GoM today (on Monday), a top coal ministry official told PTI.

Coal minister Sriprakash Jaiswal, home minister P Chidambaram, environment minister Jayanthi Natarajan, planning commission deputy chairman Montek Singh Ahluwalia, power minister Sushilkumar Shinde are part of the GoM, the official said.

Minists minister Dusha Patel, corporate affairs minister M Veerappa Moily, labour minister Mallikarjun Kharge and law minister Salman Khurshid are the other members. The government is yet to take a call on who will head the GoM, the official said.

The cabinet in its meeting on May 10 considered the note regarding constitution of coal regulatory authority and favoured the GoM, once set up, immediately look into setting up the coal regulatory authority.

The coal ministry had moved a draft bill to the cabinet, which could not reach a consensus on some of the provisions in the bill. Sources had said that some of the ministers were against grant of so many executive functions to the regulator.

Besides ensuring transparency in allocation of coal blocks, the proposed bill seeks to provide a level-playing field to all stakeholders and promote investment in the sector. As per the draft bill, regulator’s functions include granting authorisation to any person for undertaking mining, monitoring and enforcing closure of mines and determining price of raw and washed coal.
MinesMin rejects FIMI proposal

The mines ministry has rejected a proposal by the industry to do away with a provision in the new Mines Bill which provides for allotment of shares by a mining company to the affected family.
कोयला नियामक बिल पर जीओएम गठित

नई दिल्ली, प्रेंट: कोयला क्षेत्र के नियामक गठन के मसौदे पर उठ रहे आपाततंत्र की सुसंगताएं के लिए सोमवार को नी शदर्पण मंत्री सुभाष (गीओएम) को गठन कर दिया गया है। कोयला मंत्रालय के मुख्याधिकारी ने बताया कि प्रधानमंत्री मनमोहन सिंह ने इसको मद्दत दे दिया है। सोमवार इस संबंध अधिसूचना जारी कर दी गई।

जीओएम में कोयला मंत्री श्री प्रकाश जाकस्वाल, गृह मंत्री पी. निर्मल, परंपरा मंत्री अरविंद नारायण, खेजना आयोग के उपाध्यक्ष भोंटेक लिङ्ग अहट्टालिया, सुरज मंत्री सुरेश कुमार हिंदे, खान मंत्री निना फरन, केंद्रीय मामलों के मंत्री आशा मोहनी, श्रम मंत्री मलिकाकुल खंडेन्यार और कमल मंत्री राजनाथ सिंह शामिल है। यह जीओएम का अक्षय कोल होगा। इस पर निर्धारित अंबेडकर नहीं लिया गया है। कोयला मंत्रालय ने नियामक के संबंध में विवेचन का महत्त्वपूर्ण कैबिनेट में रखा था। इस पर एक युग नहीं देखी गई थी। कुछ मंत्री नियामक को ब्रह्माण्ड तक छूटें दी गई थी। इसके पीछे नियामक गठन पर सरकार टल दिया गया था। कोयला क्षेत्र में पार्षदाधिकारी लाना नियामक गठन का प्रमुख उद्देश्य है। इसके साथ तत्कालीन सरकार स्थापना प्रतिष्ठान, सभी समस्त अन्य और क्षेत्र में ज्ञान निवेश आरामित करना कहती है। नियामक कोपेय के दौर भी होते रहेंगे।