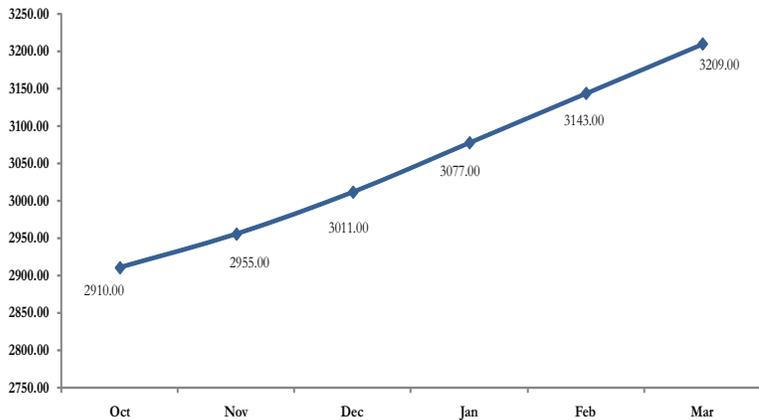


Monthly Report On **Oilseeds** October 2017



Domestic Fundamentals: Soybean (NCDEX)

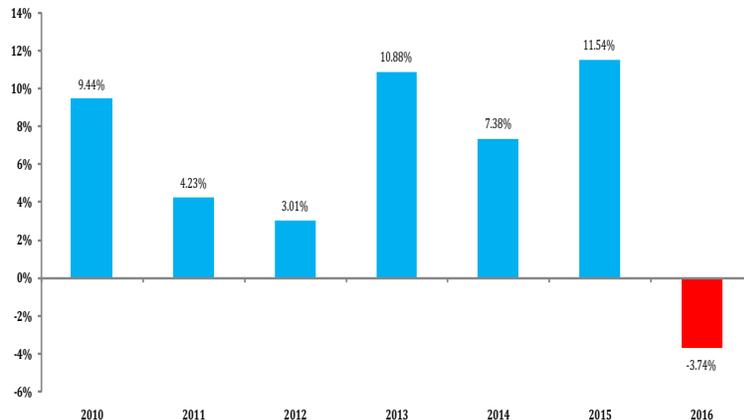
Forward Curve of Soybean Futures (NCDEX)



Source: NCDEX

Closing as on 6th October, 2017

Historic return of Soybean futures (NCDEX) in the month of October



Source: Reuters & SMC Research

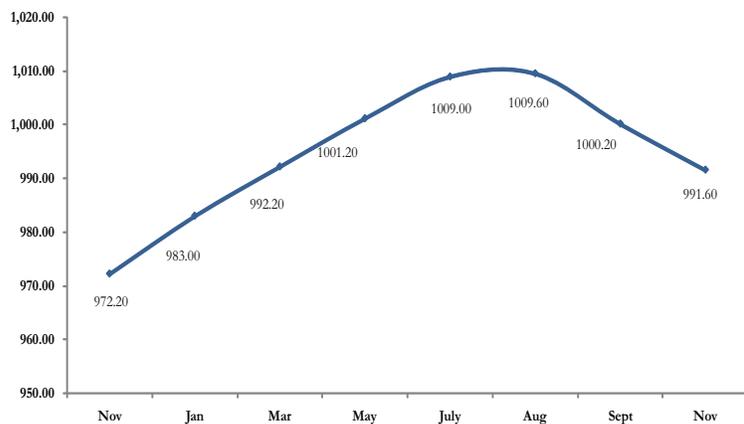
S3	S2	S1	Pivot	R1	R2	R3
2819	2923	2978	3082	3137	3241	3296

Fundamentals

- Soybean futures (November) is likely to take support near 2800 levels & the downside may remain capped. However, any sharp gains may remain restricted facing resistance near 3040 levels & pressurized by fresh arrivals along with sufficient stocks.
- The Soybean Producers Association of India (SOPA) estimated 2017-18 soybean crop lower at 91.45 compared with 114.90 lakh tons a year ago. Lower output was attributed to decline in acreage and adverse weather conditions in key producing states.
- The silver lining is that as per market estimates there is a carryover stock of 19.16 lakh tonnes, which will suffice the production deficit of 2017-18 season.
- New soybean crop arrival has started in the market yards of Madhya Pradesh, Maharashtra and Rajasthan which has weighed on market sentiment.
- According to traders, quality of crop in Rajasthan is very good among the three states whereas in Madhya Pradesh and Maharashtra quality of crop is average. New crop arrivals are likely to increase in coming days which will weigh on soybean prices so millers are waiting for the lower prices to procure soybean.
- With the prices of soybean ruling below minimum support prices (MSP) of Rs 3,050/100kg, procurement of the commodity at MSP under the Centre's price support scheme (PSS) will begin from October 16 in Maharashtra by NAFED.
- On the other hand in Madhya Pradesh most of the farmers are waiting for the Bhavantar Bhugtan Yojana (Price Deficit Financing Scheme) which will commence from 16th October.
- The objective of the scheme is to provide the compensation for agriculture products whenever its price fall below the announced minimum support prices (MSP) by the central government. The farmers will have to register themselves with mandis to leverage the benefits of Bhavantar Bhugtan Yojana.
- As of now the demand in soy meal is low both in international and domestic market so millers are in no hurry to procure soybean at current prices.
- Poultry farmers have reduced the placement of chicks as demand of broiler chicken will decline in Diwali festival which starts from 19th October 2017.
- Indian Soy meal is priced at \$370 per ton FAS Kandla Vs \$363 Argentina CIF Rotterdam (October) as of October 7, 2017. The difference between the two origin is \$7 per ton down by \$15 compared to a week ago.
- Premium of Indian soy meal has declined in international market due to weak rupee and rally in CBOT soy meal futures. The rupee fell to a nearly 6-month low of 65.35 against the US dollar, its lowest since April this year.

Soybean (CBOT)

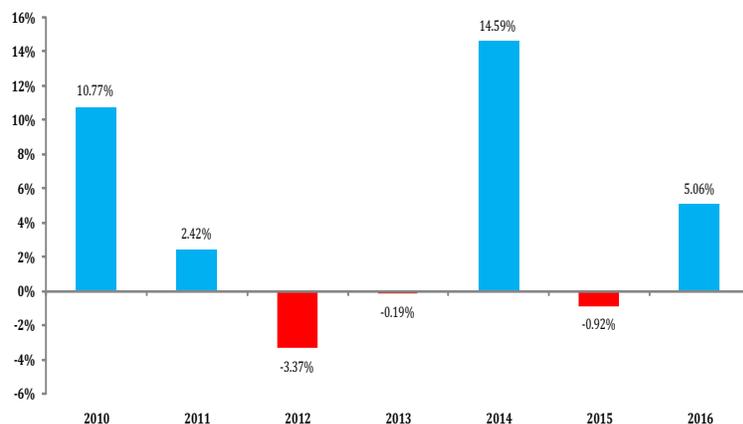
Forward Curve of U.S Soybean futures (COBT)



Source: COBOT

Closing as on 6th October, 2017

Historic return of U.S Soybean futures (CBOT) in the month of October



Source: Reuters & SMC Research

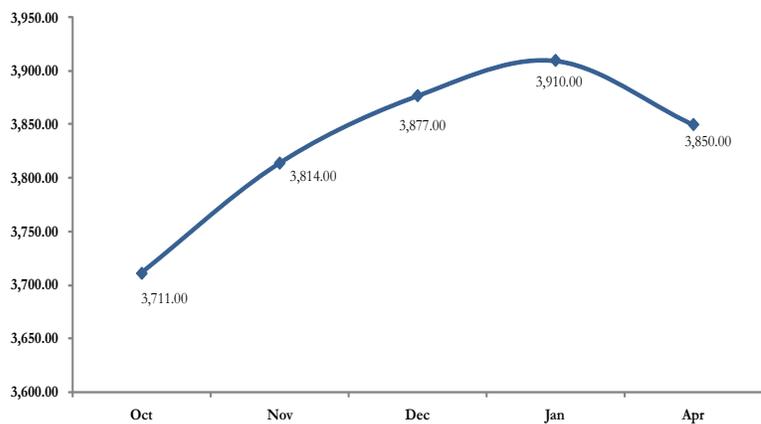
S3	S2	S1	Pivot	R1	R2	R3
892	915	942	964	991	1014	1041

Fundamentals

- **U.S soybean futures (November) faces a resistance at \$9.90 per bushel, a break above which could lead to a gain to the next resistance at \$10 per bushel.**
- U.S soybean is taking positive cues from gains in the soy meal market as rains across the southern U.S. Midwest added delays to a harvest that was already behind the typical schedule.
- Support is tied to disappointing yield reports from producers over the last two days as well as weather concerns in Brazil with a continued drier trend in central Brazil and wet pattern in southern Brazil and northern Argentina.
- Traders continue to watch Brazilian weather the some forecasts looking for rains in central Brazil this week after a very dry start. Too much rain in southern Brazil continues to delay plantings.
- Informa estimated the soybean yield at 50.0 bushels per acre up from their previous estimate of 49.4 bushels per acre and compared to the USDA's 49.9 bushels per acre. A 50.0 bushel yield would leave ending stocks at 435 million bushels.
- On the demand side, the U.S. soybean shipping season is just getting underway now, and if the export and sales numbers over the next couple months continue to support USDA's record volume projection for 2017/18.
- The US Department of Agriculture's Beijing bureau pegged at 92.5m tonnes soybean imports by China, the world's top buyer, in 2017-18 on an October-to-September basis.
- For the time being, China's soybean imports from the United States are likely to be delayed by at least two weeks as suppliers struggle to find high-quality beans following crop damage from hurricanes. Shipment delays could result in tight supplies at the end of October and early November, they warned, driving up soy meal and soy oil prices in the world's biggest importer of soybeans.
- The early harvested soybeans, produced near the Mississippi Delta, suffered damage from hurricanes last month, making it difficult for exporters to meet quality specifications agreed with Chinese buyers. The poor bean quality is causing delays at U.S. Gulf terminals, with waiting times for ships rising to 10-12 days from the usual five days at this time of the year.
- This has left U.S. farmers struggling to find room to store their just-harvested soybeans while grain storage on the river's banks is filling up.
- In its quarterly stocks report, the U.S. Agriculture Department reported that domestic soybean ending stocks, which were 53 percent higher than Sept. 1, 2016, came in at a 10-year high. Of the total stocks, USDA estimated that 87.9 million bushels were stored on farms, up 112% from last year. They pegged off-farm storage at 213 million bushels, up 38% from last year.

Mustard futures (November)

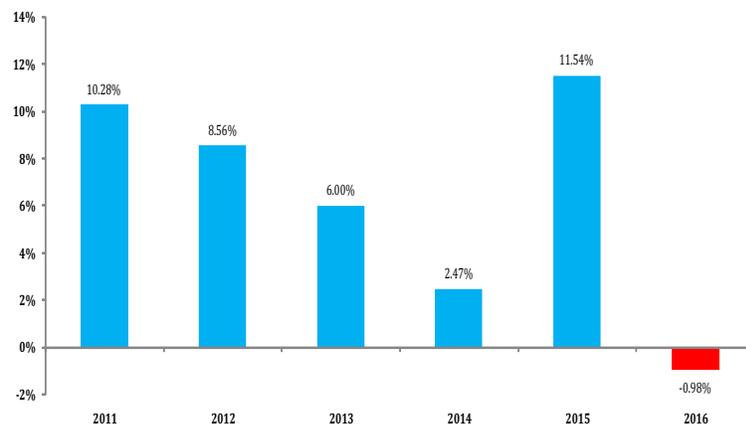
Forward Curve of Mustard futures (NCDEX)



Source: NCDEX

Closing as on 6th October, 2017

Historic return of RM Seed in the month of October



Source: Reuters & SMC Research

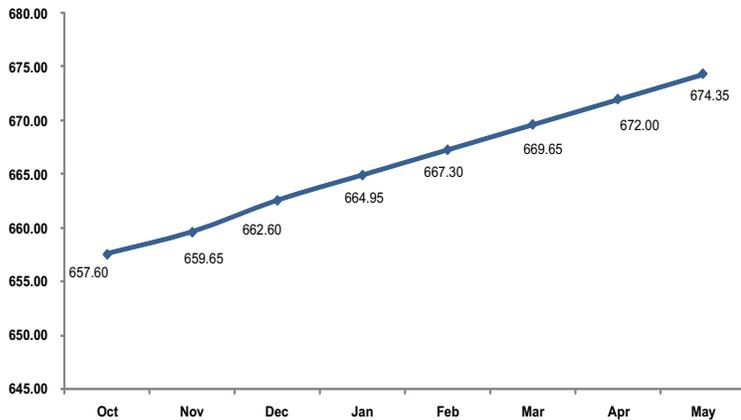
S3	S2	S1	Pivot	R1	R2	R3
3618	3708	3768	3858	3918	4008	4068

Fundamentals

- **Mustard futures (November) may consolidate in the range of 3650-4000 levels, with upside getting capped. The sentiments may turn clear once the sowing starts.**
- The supportive factor for mustard seed is unfavourable weather for sowing of mustard seed. Generally sowing of mustard seed in Rajasthan starts around 5th October but as the day temperatures are above normal so farmers are waiting for the atmosphere to cool down to start sowing.
- The country's top mustard producing state, Rajasthan, has set a target of 3.77 million tons output of the oilseed in 2017-18 (Jul-Jun), 4.3% lower from the output a year ago. Area under the crop in Rajasthan is seen higher at 2.6 million ha from 2.5 million ha a year ago.
- According to government estimates, Mustard seed for Rabi sowing is also estimated at 24,200 tons, which is 2,400 tons more than the estimated requirement.
- At the spot markets, mustard seed prices have declined by Rs 110/100kg in last one month so in coming days farmers may slow down the sales of commodity providing support to prices at lower level.
- Mustard seed prices during the last week closed down by Rs 15 at Rs 3905/100kg in the benchmark market of Jaipur. During the last week, seed arrivals hovered between 1.45 lakh bags to 1.65 lakh bags (85 kg each) against 1.20 to 1.55 a week ago.
- Sluggish trend continues in spot mustard seed due to poor demand from millers amid slow off take of mustard oil.
- There is talk in the market that India has imported around 43,000 tons of mustard oil in August and 15,000 tons in September so the crushing has declined weighing on mustard seed demand.
- Oil mills across the country crushed 425,000 tons of mustard seed in September, down around 6% from previous month, according to data compiled by Mustard Oil Producers Association of India. Crushing of mustard seed in September fell month-on-month because of shrinking arrivals in wholesale markets.
- Oil mills have crushed about 4.3 million tons of mustard seed since the start of the crushing season in February compared to total arrivals of 4.6 million tons during the period.
- In Rajasthan, the largest grower of the Rabi oilseed, mustard seed arrivals during Feb-Sep were estimated at 2.28 million tons.
- In Uttar Pradesh, about 640,000 tons arrived during the period, while in Madhya Pradesh and Chhattisgarh, arrivals were estimated at a total of 315,000 tn. Markets in Gujarat recorded arrivals of 265,000 tons of mustard seed, according to the data.
- The total marketable surplus of mustard is pegged at 6.78 million tons, which includes carryover stock of 200,000 tons. About 350,000 tons of seed have been retained by farmers for sowing and direct consumption.
- On the demand side, traders are bit surprised as they were expecting demand to rebound for the upcoming Diwali festival but that could not materialize which has weighed on mustard oil prices at higher price level.
- Further, the wholesale traders are having sufficient stock of mustard oil in their inventory which can meet the near term demand so they opted to wait and watch approach.

Edible oil complex (Domestic Fundamentals)

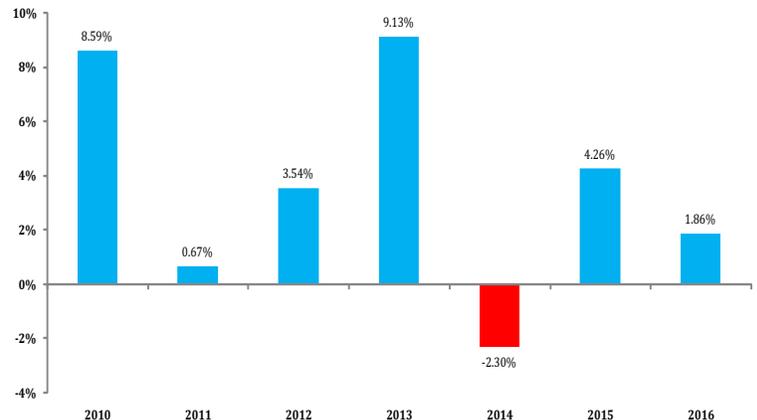
Forward Curve of Refined Soy oil futures (NCDEX)



Source: NCDEX

Closing as on 6th October, 2017

Historic return of Soybean Oil futures (NCDEX) in the month of October



Source: Reuters & SMC Research

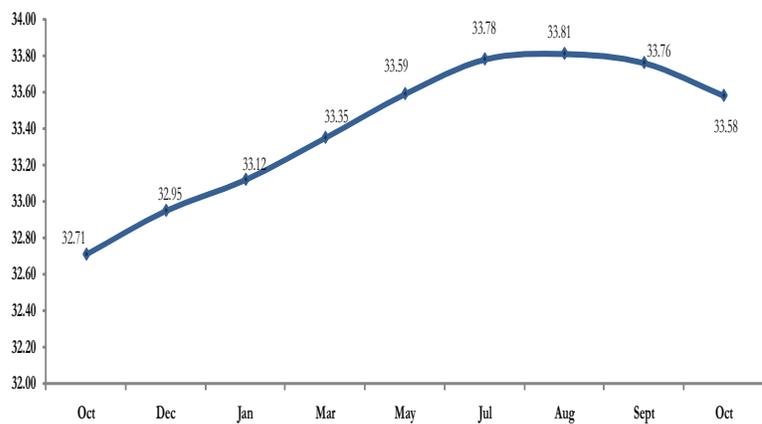
S3	S2	S1	Pivot	R1	R2	R3
484	501	516	533	549	566	581
634	647	656	670	678	692	701

Fundamentals

- **CPO futures (October) may trade in the range of 515-545 levels.**
- Demand of RBD palmolein in domestic market is hand to mouth as most of the wholesale and retail traders have covered their near term requirement.
- Further the port stock of palm oil+ RBD has increased to 3,29,329 tons as of 3 October against 2,92,432 on 25 September.
- RBD palmolein traded steady at Rs 590/10kg at kandla port on limited demand and also CIF price of the commodity ruled steady at \$715/ton.
- **Refined soy oil futures (November) may trade in the range 645-670 levels, with upside getting capped.**
- Spot refined soy oil at the benchmark Indore is on a declining trend amid poor demand.
- According to traders retail demand has not increased as per their expectation so most of the wholesale traders have opted wait and watch approach.
- Retail is hand to mouth and also the traders are having sufficient stock of the commodity in their inventory.
- According to traders import of soy oil is likely to decline in coming months due to increasing supply of soy oil from local crushing.
- Traders are very much disappointed that demand of soy oil did not improved as per expectation considering the upcoming Diwali festival season.
- Further the port stock of soy oil has increased to 2,48, 673 tonnes as of 3 October compared to 2,39,639 on 25 September which is sufficient to meet the near term demand.
- Soy oil prices were lower by USD 4 to trade at 815 per tonne in dollar terms (CNF) at Kandla port and also declined by Rs 5 to trade at Rs 625/10kg.

Edible oil complex (International market fundamentals)

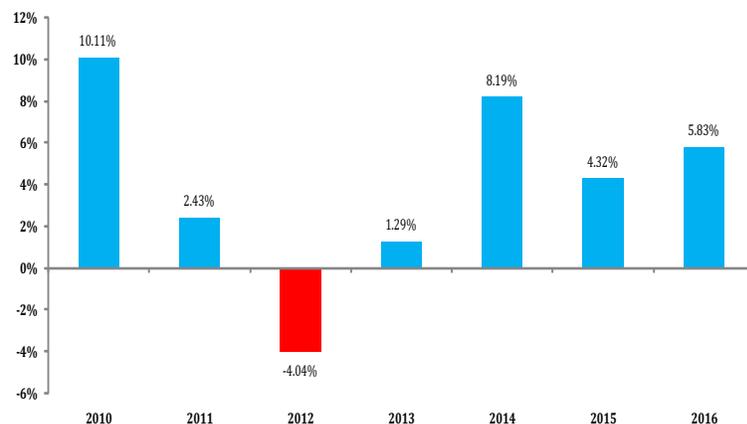
Forward curve of U.S Soybean Oil Futures



Source: CBOT

Closing as on 6th October, 2017

Historic return of Soybean Oil futures (CBOT) in the month of October



Source: Reuters & SMC Research

S3	S2	S1	Pivot	R1	R2	R3
2410	2548	2621	2759	2832	2970	3043
28.58	30.61	31.72	33.75	34.86	36.89	38.00

Fundamentals

- **CPO futures (December) may trade in the range of 2570-2830 levels.**
- Malaysian palm oil end-stocks likely reached the 2 million tonne mark in September, their highest since February 2016, a Reuters poll showed, with production forecast to come in at its strongest monthly level in nearly two years.
- Malaysian palm oil end-stocks likely reached the 2 million tonne mark in September, their highest since February 2016, a Reuters poll showed, with production forecast to come in at its strongest monthly level in nearly two years.
- September output is expected to have risen to 1.84 million tonnes, up 1.5 per cent from 1.81 million tonnes in August, which would be the strongest level since October 2015.
- Malaysian output usually sees peak production in August or September, but industry players say it will be pushed back to October this year due to the lingering impact of last year's El Nino dry spell.
- Demand for palm oil in September was seen at its strongest monthly levels in slightly over a year, poll respondents expect shipments to taper off at the end of the year.
- The median figures from the Reuters survey imply Malaysian consumption of 214,098 tonnes in September.
- Official data will be released by the Malaysian Palm Oil Board after 0430 GMT on Oct 10.
- **Ref. soy oil (December) may consolidate in the range of 32-35 cents per pound.**
- Last month, the U.S. Environmental Protection Agency said it was seeking comment on a proposal to reduce 2018 biodiesel blending requirements into the domestic fuel supply. Prices for soyoil, the most widely used feedstock to produce U.S. biodiesel, fell to a five-week low after word of the proposal raised worries of a fall in demand.
- However, hope has come from a fight back by the industry against the EPA, with 11 biofuels and farming groups which said that the agency's proposals "would serve no purpose other than to paralyse growth in US biofuel markets, slow investment in blending infrastructure, strand investment in advanced biofuels, and export innovation overseas.
- Soybeans are a critical feedstock for the biodiesel industry, representing approximately 55 percent of the feedstock. On a national basis, soybean oil used in biodiesel production from U.S. producers accounts for over 5.7 billion pounds. This represents the soybean oil produced through processing over 475 million bushels of soybeans, or 25 percent of annual U.S. crush.

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