

## Soy Oil – BUY

**CMP: Rs 595 (As on 07<sup>th</sup> Sep)**

**Buy: Rs 595**

**Target: Rs 639-656**

**Stop Loss: > Rs 565**

Refined Soy oil has established itself as widely consumed edible oil in our country within a relatively small period of two decades. This easily makes us one of the largest importers and also the fourth largest producer of soybean seed.



A substantial increase in crop acreage in last two crop seasons has put the pressure on soy oil prices. This year, so far, prices have seen more than 20 per cent correction on reports of bumper yield in all major producing countries including India. But on other side, this heavy correction is now being viewed as a good opportunity by soybean crushers, exporters and paint manufacturers as prices are at a very attractive level. New crop in the form of huge arrivals is expected to hit the *mandis* in a week but the 'over-supply' fact seems to be already discounted.

On technical charts too, momentum indicators have already hit the oversold zone and are now reflecting a either a divergence or a positive crossover. ADX is indicating a solid strength in reversal whereas MACD and RSI are well supporting the bargain hunters. An inverted Head & Shoulder pattern is also at place; however the shape is much of an irregular one. All in all, it's time to oil the bulls for a smooth trading portfolio.

**We recommend Buy NCDEX November Refined Soy oil at CMP Rs 595 and also add above Rs 602 for targets of Rs 639-656 while maintaining a strict stop loss below Rs 565.**

## **The dynamicity of Dollar Index**

An index that contains the whole a lot of economics and fundamental analysis is the dollar index. Fundamentally analyzing the trend for dollar index is very complex as when analyzing dollar one has to throw lights on economics of the entire major economies i.e. US, Europe, Japan & China, UK, Canada, Sweden and Switzerland. However, the percentage of weight given to all these economies may differ as per global business environment and the factors affecting the current international scenario.

### **Growth projection of US Economy**

Dollar index goes up when US dollar gains "strength" (value) when compared to other currencies. The US economy grew at its fastest rate in eight years in the quarter ending Sept 2014 and so did the Dollar Index (settled at 85.91 with a growth of 7.67 percent for July – September 2014). The economy powered ahead in the second quarter by 4.6% at an annual rate, matching the fastest quarterly growth rate since 2006.

Two key trends will solidify the recovery in 2015:

higher wages as unemployment falls below 6%, and

An expansion in consumer credit as households reaches the end of the debt deleveraging cycle.

Despite some downside risks posed by higher interest rates and weak demand from Europe, a steady economic expansion can be expected for over the next year.

### **Growth projection of European Economy**

In the euro area, growth has turned positive. In Germany, supportive monetary conditions, robust labor market conditions, and improving confidence have underpinned a pickup in domestic demand, reflected mainly in higher consumption and a tentative revival in investment but also in housing. Across the euro area, a strong reduction in the pace of fiscal tightening from about 1 percent of GDP in 2013 to 0.25 percent of GDP is expected to help lift growth. Outside the core, contributions from net exports have helped the turnaround, as has the stabilization of domestic demand. However, growth in demand is expected to remain sluggish, given continued financial fragmentation, tight credit, and a high corporate debt burden.

EUR/USD prices remained bearish for this quarter fell to 8.24 per cent settled at 1.2570 and is expected to remain bearish till 1.2280 levels. However, if we talk about the EUR/INR levels then key support level is seen at 74.40 from the current level of 77.99.

## Growth projection of Japanese Economy

In Japan, some underlying growth drivers are expected to strengthen, notably private investment and exports, given increased partner country growth and the substantial yen depreciation over the past 12 months or so. Nevertheless, overall activity is projected to slow moderately in response to a tightening fiscal policy stance in 2014–15. The tightening is the result of a two-step increase in the consumption tax rate—to 8 percent from 5 percent in the second quarter of 2014 and then to 10 percent in the fourth quarter of 2015—and to the unwinding of reconstruction spending and the first stimulus package of the Abenomics program. Overall, growth is projected to be 1.4 percent in 2014 and 1.0 percent in 2015.

USD/JPY current devaluation in the Japanese currency is expected to continue till 112.50 for the coming quarter (cmp 108.40). In JYPINR Chart prices are sustaining below the key support level and are expected to test the level of 53.75 (CMP 57.08)

## Growth projection of INDIA and China Economy

The forecast for China is that growth will remain broadly unchanged at about 7.5 percent in 2014– 15, only a modest decline from 2012–13. This projection is predicated on the assumption that the authorities gradually rein in rapid credit growth and make progress in implementing their reform blueprint so as to put the economy on a more balanced and sustainable growth path. For India, real GDP growth is projected to strengthen to 5.4 percent in 2014 and 6.4 percent in 2015, assuming that government efforts to revive investment growth succeed and export growth strengthens after the recent rupee depreciation.

USD/INR is expected to remain steady to downside for the coming quarter. Range can be 63.20 – 59.50, as rise in the dollar index can be neutralized by the growth in the Indian economic scenario.



Looking into macro-economic picture we can conclude that outlook of all the currencies of major economy with respect to Dollar is negative and so the Dollar Index is expected to remain up. Technically, the chart is showing further uptrend in the dollar index as prices have settled at 85.91 which is above 82.80 (38.5% Fibonacci retracement of the range). Additionally, a white opening morubozu candle stick is witnessed showing up mode. Next resistance can be at 90.20.

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