



ARI - Commodity and Currency Pick

Commodity Pick: Cardamom

SELL



Cardamom, admired as the “Queen of Spices,” is produced primarily in the Kerala region. Monsoons are expected to hit the coast of Kerala by June 1st well in time, that augurs well for the output. The improved expectations of cardamom output have also brought the June to August contracts in backwardation. Export and local demand is also currently subdued and is expected to pick up from West Asian countries by July. Besides, prices have risen by more than 50% in the last three months and hence a sell-off is expected by the investors.

Technical

Though high volatility was seen in cardamom prices earlier, but since last 2-3 weeks it has been trading in the state of indecision. On the weekly chart, we can see that it is on the verge of forming a rising wedge chart pattern which will only be confirmed if the prices sustain below 1200 ie the lower trend line support. Prices are sustaining far above the short and medium term moving averages signaling lower side correction. In the sub charts above, the momentum indicator RSI (14) and volumes are in negative divergence with prices. Also, a negative crossover has been witnessed between RSI (14) and its Moving Average (9). From the above analysis, we expect cardamom prices to remain in the correction mode for the coming month.

Recommendation:

We recommend going short in July contract of MCX platform at 1230-1250 for the target of 1125 and 1075 with stop loss at 1355.

Currency Pick: USD-INR

SELL



It was a historical month for USD-INR as it reached its life time high of 56.78. The key reason was the outflows by FIIs from the local share market and disappointing GDP data.

June would be a crucial month for USD - INR as RBI will release its mid-quarter policy in which it is expected to cut rate by 25 bps. On June 29th, balance of payments for Jan-Mar by RBI and Government finances for Apr-May by CGA are scheduled to be released. Both the data will have high impact on domestic currency. In mid June, monsoon will start which may attract FIIs to invest in local share market, after which short-term correction in USD-INR may be possible.

Technical

The mostly traded currency pair USD-INR remained in line with our expectation last month and made a high of 56.78 to settle at 56.42.

There are some indications on monthly chart:

- Prices are sustaining far above the short and medium term moving averages
- Prices failed to settle above the resistance level of 57.30 which is 78.6% Fibonacci Projection.
- There is a negative divergence of prices with RSI (14) and volume.

All the above points suggest a short term correction in USD-INR till 54.20 and 53.60 whereas, resistance is seen at 57.30-58.10.

Recommendation:

We recommend going short in USD-INR at 56.00-56.20 targeting 54.20-53.60 with stop loss at 57.40.