

# Commodity Price Risk Management using Technical Analysis

The goal of technical analysis is very often misunderstood by those who are unfamiliar in studying prices and do not know that tools exist to understand the markets better.

In brief the goal would be to .....

**Identify a trend and ride with it until enough evidence  
Proves that the trend has reversed direction-  
Martin.J.Pring**

So, our job is to use the tools available to a technician and uncover the direction of the markets and identify when it has reversed direction.

Basically there are two ways to analyze the markets. Fundamental Analysis or Technical Analysis.

## Fundamental Analysis

- Study various reports
- Demand/Supply Analysis
- Gather News
- Examine economy data
- Uncover Rumors

## Technical Analysis

Study Price action alone

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The are various tools which can be used in technical analysis and they are:

1.Support/Resistances

2.Trend lines

3.Indicators

4.Fibonacci retracements

5.Elliot wave analysis for price forecasts

# Commodity Price Risk Management using Technical Analysis



We will look at the price forecasts for 1.Wheat, 2.Sugar, 3.Edible Oils and 4.Dollar/Rupee based on technical analysis for this session.

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Recent reports from Deutsche Bank and Barclays bank indicate

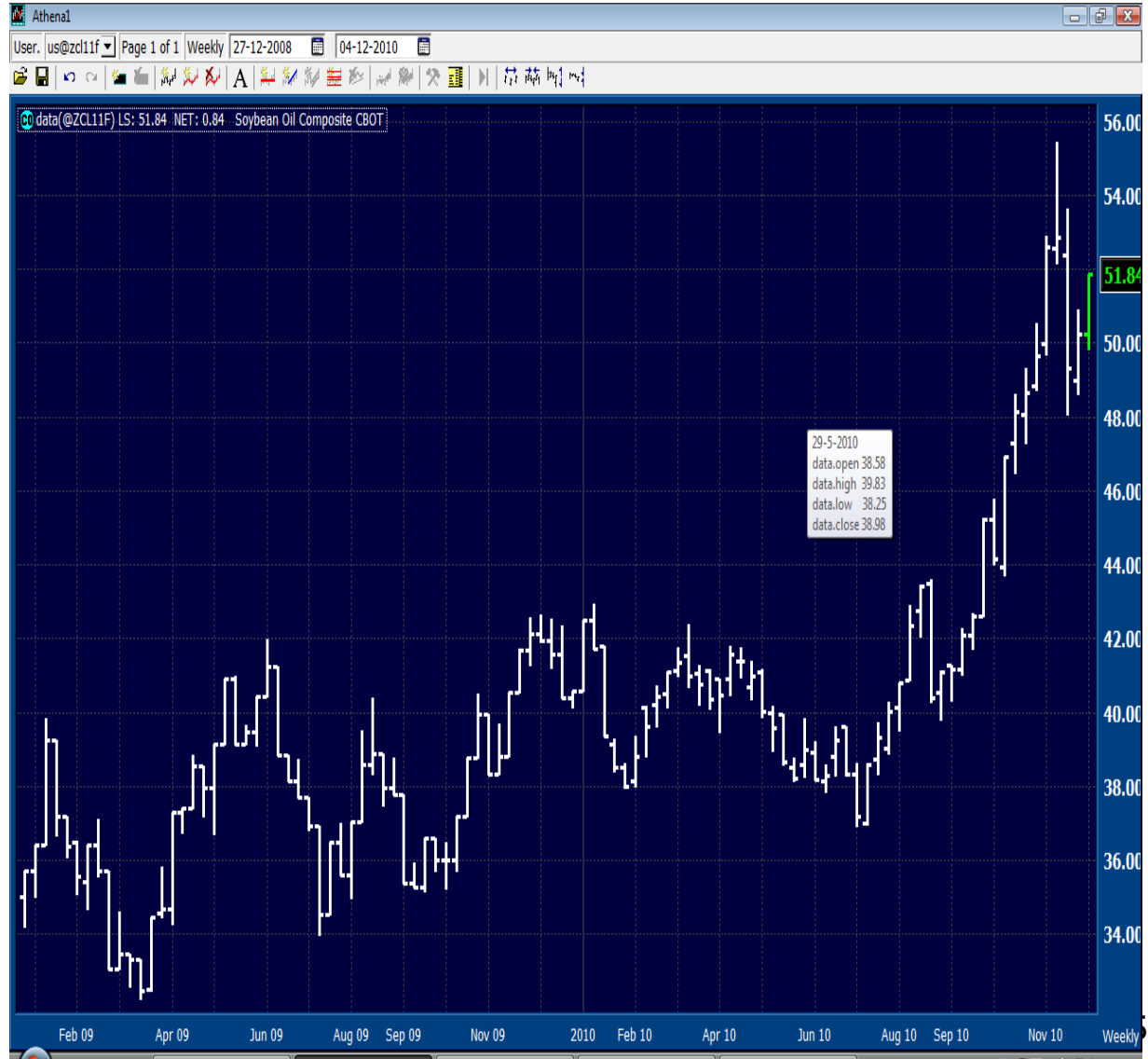
Within the agricultural and soft commodities complex, we see short-term upward potential for soybeans, cotton, corn and sugar in China over the next 10 years (sugar per capita consumption may start to decline slightly earlier towards the middle of the decade), though per-capita consumption may start to fall steadily thereafter as the urbanisation process progresses. Soybeans look likely to benefit most from EM development trends over the next decade as a whole, with an expected 80% increase in Chinese per-capita consumption by 2015 and 120% by 2020, in line with the growth we have seen over the last decade...**Barclays Bank**

We believe La Niña has the power to disrupt soybean production as it would tend to deliver droughts to South America...**Deutsche Bank**

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## CBOT SOYOIL FUTURES-

- After a broad consolidation between 35-45c, a massive breakout was triggered which coincides with the Quantitative easing. A new long-term up trend for edible oils look likely now.
- Potential long-term targets are at 65-70c.



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## CBOT Soyoil Futures-

- ▲ Near-term gyrations can be seen with potential to move in the 47-55c zone for some time, before the uptrend resumes towards 65-70c



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## ▲ BMD-CPO FUTURES

▲ Malaysian Palm oil futures also zoomed higher in line with international prices.

▲ For a few years prices have been consolidating between 2200-2800 range before it broke into the 3000-3500 zone.



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## ▲ BMD-CPO FUTURES

▲ Short-term volatility could see prices moving lower towards 3000 MYR/ton.

▲ But, this will become a base and prices could gyrate into the 4000-4500 zone in 2011





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## SUGAR FUTURES

Huge volatility in the past two years due to supply issues.



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## NYBOT SUGAR FUTURES

Once supply issues are resolved prices can retrace quite sharply.

However, \$20 could become a floor and it if the consumption trend continues \$50 is not far away.



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## CBOT WHEAT FUTURES

Unlike in other grains, wheat is just begun consolidating.

It is preparing itself for an up move towards \$9.50 / bushel.



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## CBOT WHEAT FUTURES

- There could be short-term price volatility with a possibility to test \$6.00 before the uptrend resumes.



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## US\$/Rupee

- ▲ Huge portfolio inflows into the country has seen a strong appreciation so far.
- ▲ However, with a possibility of a dollar recovery globally should see a possible move to 46.50-47.00 in the short-term

