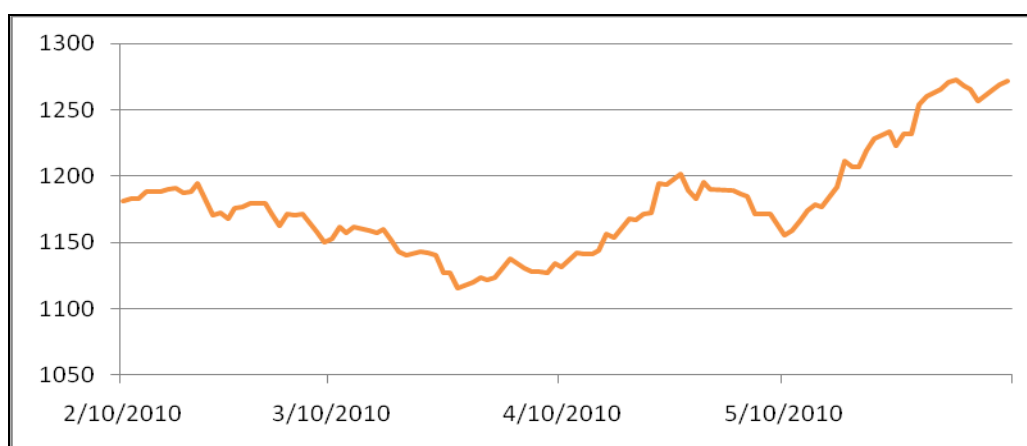


Wheat Short Term Report

Wheat futures prices showed a negative trend during Q1CY2010 on selling pressure backed by weak demand ahead of new harvesting season in India. Anticipation of record output resulted into marginal fall in the prices. Furthermore, additional release of government stock to accommodate space for new crop also had a bearish impact on the market. Beginning from April, prices started moving higher gradually following emergence of fresh buying at the prices fell near to the MSP level of Rs.1100. Initially government agencies were in procuring spree to maintain the buffer stock, which resulted into rise in price from Rs.1100 to Rs.1200 per quintal in April month. After testing 1200 levels prices showed a resistance to move further high on anticipation of government intervention to tame the inflation. But, market could not sustained its negative trend and once against started moving up from second week of May on emergence of fresh buying after report drop in output in Uttar Pradesh by 1.5 million tonnes due to heat wave in the state. Decline in arrivals amid good demand also supported wheat prices to large extent.



Outlook

Wheat futures are expected to trade on a positive note in short term as the arrivals in major markets have declined substantially. In Delhi's Lawrence road market the arrivals have come down to 5000 quintals per day, while in Khanna Market the arrivals are down to 500 quintals, which were 5000 quintals compared to the same period a year ago. There is strong demand from flour mills as they are facing supply shortage. Traders are asking the centre to release wheat stocks through Open Market Sales Scheme (OMSS) to meet the market demand, but, the government will think of open sale only after the procurement gets over. Thus, as far as the central government does not release wheat in to the market, there is a good scope for the prices to rise. In Uttar Pradesh wheat for mill delivery is trading higher by over Rs.1000 compared to the market, while in south, wheat delivered at the Railway good shed has increased to Rs 1,475 a quintal against Rs 1,250 in April, according to sources.

There are also reports that the government may impose import duties on wheat during later this month. According to reports, empowered group of ministers on food will examine the food ministry's proposal of stopping zero-duty wheat import by imposing reasonable tariffs. The food

ministry had made a demand for 40% import duty on the food grain in April month. Due to higher domestic prices, the demand for imported wheat from Australia has increased.

Government has estimated a record crop of 82 million tonnes at the beginning of the season, but, later the estimate was slashed to 80.68 million tonne because of heat wave in most parts of north India. Wheat output in Uttar Pradesh has been estimated to decline by 1.5 million tonnes than earlier estimates due to rise in temperature during harvesting. Procurement of wheat that began on April 1 will officially end on June 30. Till now, the Centre has procured 22.5 million tonnes against 25.5 million tonnes during the same period a year ago. Wheat stocks with government as on June 1 were 35.2 million tonnes against the norm of 4 million tonnes. Prices may turn into negative if the government releases additional stocks in the open market, which has been the demand of millers.

Technical Analysis

July contract wheat futures prices witnessed an upside rally for the past four week's by gaining as much as 8.6% and currently trading higher at 1300 levels. As per the Fibonacci principle, market is witnessing a strong resistance at 1315 levels (23.6% retracement of the range 1455-858 levels) sustain below the same is likely to see a mild lower correction. In case market breaches the resistance at 1315 levels we may see upward trend till 1455 levels in the short term. On the lower side supports are at 1226 then 1170 levels.

As per the indicator analysis market is showing positive cues are as follows.

- Market is trading above the weekly short term (10, 20) and medium term (50) EMA suggests prices to remain on higher side
- The momentum indicator RSI (14) weekly is trading at 0.65 levels and expected to move to oversold zone



Outlook: We expect wheat future prices to trade higher on NCDEX platform and recommend buying near support levels.

9 June 2010



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