

CHANA SHORT TERM REPORT



Recommendation:

Chana May NCDEX: *Buy 2340-2350 TP 2430 and 2480 SL 2260*

Chana June NCDEX: *Buy at 2420-35 TP 2550 then 2640 SL 2335*

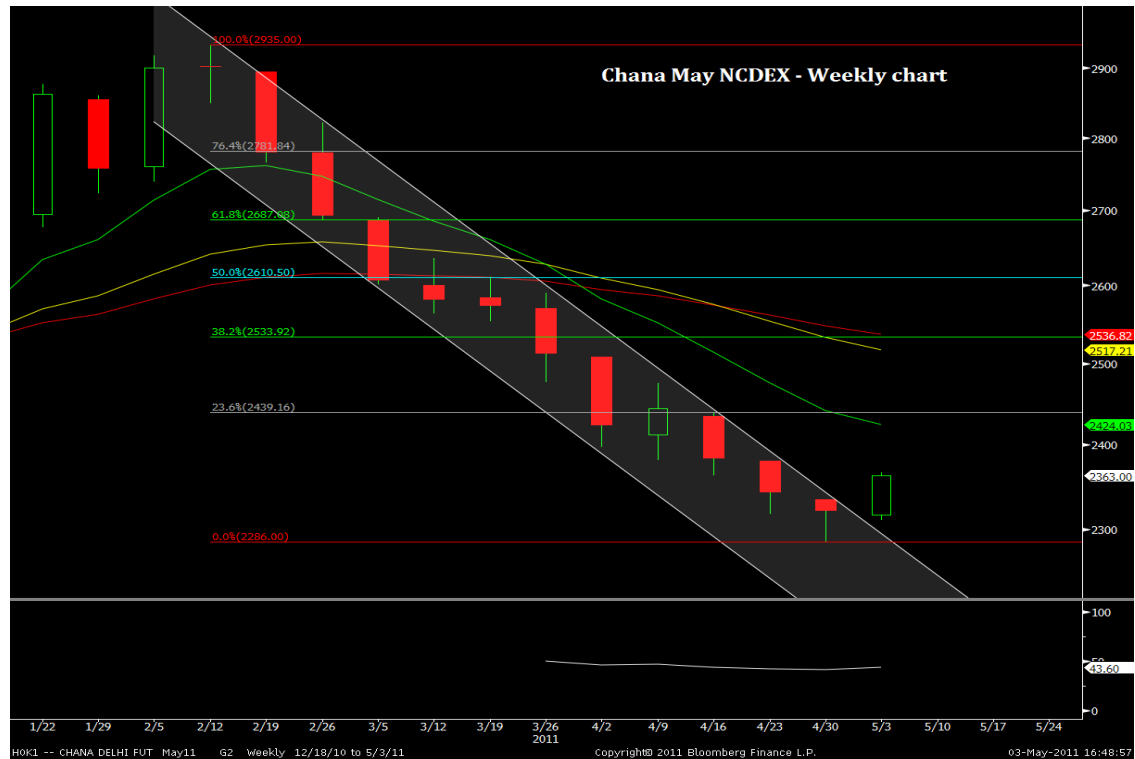
Chana July NCDEX: *Buy at 2480-2495 TP 2575/2630 SL 2388*

CHANA: BULL RUN TO START OFF

- Chana prices declined by around 4.5% in the month of April. The arrival pressure from Rajasthan and Madhya Pradesh lowered the prices during the month of April. The acreage in Rajasthan regions had increased by 76% during the sowing period which resulted in bumper production of 12-15 lakh bags compared to the regular production of 8- 10 lakh bags. Higher production had negative impact on the prices.
- As per the third advance estimate the chana production is expected to be around 7.38 million tons which is almost the same as that of last year's production (7.35 million tons) and is much lower than previous estimate of 7.58 million tons. The decline in the production estimate is indicating that the commodity might fall short to meet out the demand requirements for the current year. This is supportive for the uptrend in the prices in near term.
- Increase of stock limits in Rajasthan (from 300 tons to 500 tons) and the turn over days (from 75 days to 150 days) is attracting more bulk buyers across the markets. The recent fall in the spot prices has also created good buying levels to accumulate physical stocks. The robust buying activity in the near term might keep the prices in upswing.
- Peak arrival season has come to an end across the major spot markets which might result in lower arrivals. Mild pressure of the decreasing arrivals might still prevail across the spot markets till the end of May. However the festive demand which is expected to emerge in near term is likely to help the prices to gain both at the spot and the futures gradually.
- The chances of bridging the demand and supply gap during the current year are bleak due to the lower production in India, Australia and Canada. This has left lower chances for the imports throughout the year.
- Apart from the lower production during the last year in Canada and Australia the sowing progress in the current year is also not very prospective leaving behind the doubts about the yields. Chana acreage in Canada is expected to reduce by around 15-20 percent and also the sowing period is supposed to get delayed by three weeks due to excessive moisture levels and excessive melting of snow. Sowing in Australia is expected to delay because of prevailing drought situations. This is expected to affect the Indian market sentiments as we are majorly dependant on these two nations for chana imports.
- Spread:
 - Chana prices in far month contracts are higher than the prices in near month contracts this is a clear indication that chana futures are in a contango and this effect might continue till September.
 - The price rise by around 6-8 percent in the far month contracts indicates that price might rise to further levels in coming months.

- All these fundamental factors are anticipated to support the trend reversal in chana and help the prices to move north wards.

TECHNICAL ANALYSIS:



- Chana May NCDEX contract in traded downside for 12-13 consecutive weeks. Last week it made a low of 2286.
- If we analyze the volume pattern in weekly chart, from last 2-3 weeks volumes are decreasing along with the declining prices, it means traders are least interested to sell and market may reverse at any point of time. A hammer candle stick is witnessed signaling reversal in the trend. However, the crucial support level is seen at 2280 levels which is support level for the lower trend line of the trend channel pattern witnessed in the weekly chart. Prices have breached the upper trend line of the trend channel pattern and sustaining above indicating bullishness in the market. On the higher side resistance is seen at 2430 which is:
 1. Target price for short term EMA (8)
 2. 23.6% retracement of the recent downfall 2895-2288 as per Fibonacci retracement principle

The technical indicator RSI (14) is treading at 0.40 suggesting upside potentials for commodity.

Disclaimer

The report contains the opinions of the author that are not to be construed as investment advice. The author, directors and other employees of Karvy, and its affiliates, cannot be held responsible for the accuracy of the information presented herein or for the results of the positions taken based on the opinions expressed above. The above-mentioned opinions are based on the information which is believed to be accurate and no assurance can be given for the accuracy of this information. There is risk of loss in trading in derivatives. The author, directors and other employees of Karvy and its affiliates cannot be held responsible for any losses in trading.

Commodity derivatives trading involve substantial risk. The valuation of the underlying may fluctuate, and as a result, clients may lose their entire original investment. In no event should the content of this research report be construed as an express or an implied promise, guarantee or implication by, or from, Karvy Comtrade that you will profit or that losses can, or will be, limited in any manner whatsoever. Past results are no indication of future performance. The information provided in this report is intended solely for informative purposes and is obtained from sources believed to be reliable. Information is in no way guaranteed. No guarantee of any kind is implied or possible where projections of future conditions are attempted. We do not offer any sort of portfolio advisory, portfolio management, or investment advisory services. The reports are only for information purposes and not to be construed as investment advice.

For a detailed disclaimer please go to following URLs:

<http://www.karvycomtrade.com/disclaimer.asp>

<http://www.karvycomtrade.com/riskDisclaimer.asp>