

WHEAT

Wheat futures traded on a negative note last week due to strong selling pressure in the futures market supported by the fundamental factors of huge supplies and fear of government intervention. The active May contract wheat futures fell to a weekly low of Rs.1146 per quintal from a high of Rs.1173 per quintal. Prices showed signs of recovery by the end of the week on account of short covering, but again ended on a negative note on government's plans to release more wheat in to the physical market to settled at Rs.1147.80 per quintal, with a negative change of 1.86%.

Outlook: Wheat futures are expected to trade on a negative note during the week ahead on higher supplies expected over central government's decision on extra allocation on Public Distribution System

- ♣ Central government is planning to release an additional 30 lakh tonnes of wheat and rice for the poor over and above the current PDS allocation
- ♣ Empowered Group of Ministers (EGoM) also extended permission of wheat product exports ban by an year upto March 31 2011
- ♣ A food ministry proposal to impose 40% import tax on wheat was considered but not decided on it
- ♣ According to sources, out of the total procurement of 100.88 lakh tonnes of wheat, government agencies lifted 100.43 lakh metric tonnes of wheat till now, while private traders bought 45,204 tonnes of wheat

Technical Analysis

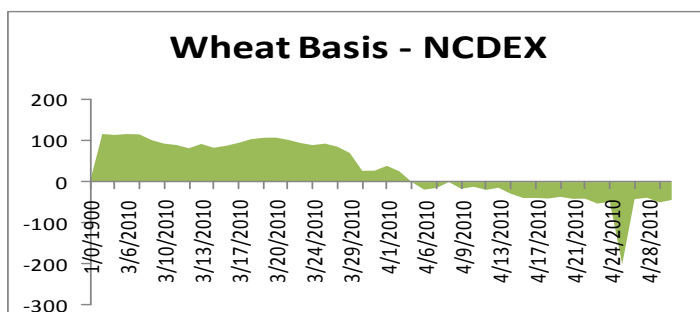
May future Wheat prices witnessed a downfall in the last week by reversing the previous gains and after making a low of 1146 it settled at 1147.80 levels. Closing of the previous three week's candle pattern resembles "Evening Doji star" (reversal in nature) suggesting a downside movements to be continued. The stiff resistance is at 1160 levels sustain below is likely to push the prices on lower side till 1130 then 1115 levels. We expect prices to trade down and recommend selling near resistance levels.

Recommendation: Sell in the range 1155-1160 targeting 1130 then 1120 with stop loss above 1174 levels.

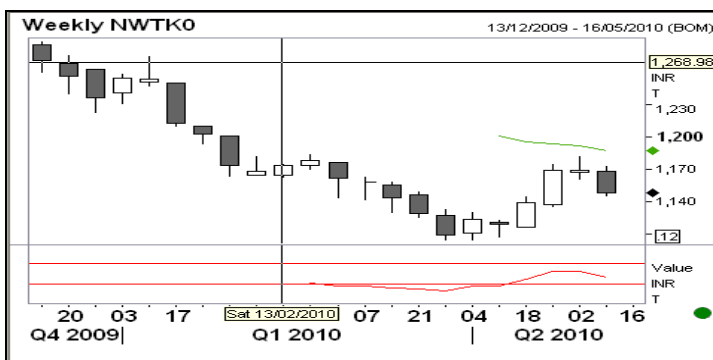
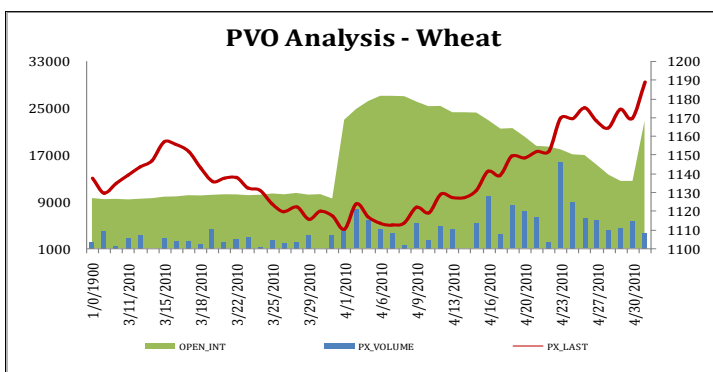
Futures prices

Exchange	NCDEX	MCX
Contract	May-10	May-10
Open	1168.00	1161.10
High	1173.00	1166.00
Low	1146.00	1142.10
Close	1147.80	1150.00
% Change	-1.86	-1.31
Volume	15600	340
% Change	-40.09	-42.37
Open Interest	17080	54.00
% Change	-25.38	-18.18

Basis



Derivative Analysis



Chana

Chana futures witnessed a sharp fall last week due to arrivals pressure amid weak demand. The active May contract on NCDEX platform hit contract lows on two consecutive intraday trades on selling pressure taking cues from weak demand in the physical market. However, towards end of the week, prices recovered from the contract lows due to short covering. The active May contract chana futures made a weekly low of 2066 levels from a high of 2162 levels and settled at 2096 levels, losing by 2.78%.

Outlook: Chana futures are expected to trade on a weak note during the week ahead as the supplies are good

- ✿ Daily arrivals have increased to 50 to 60 trucks compared to 35 to 40 during last week. Supplies are increasing from Madhya Pradesh
- ✿ The spot price at major market in Delhi have dropped by 50 rupees compared to last week at Rs 2100 to 2110 per quintal
- ✿ Weak demand for chana dal are affecting chana prices due to huge stocks with the millers
- ✿ Though the prices have declined, the traders and stockiest are not interested in buying as they are expecting a further fall in prices
- ✿ Arrivals are expected to decline in the days ahead (May-June) and demand may pick up as the marriage season has started
- ✿ Demand may pick up towards end of the week on lower levels. also wedding season demand for chana is also expected to pick up the prices

Technical Analysis

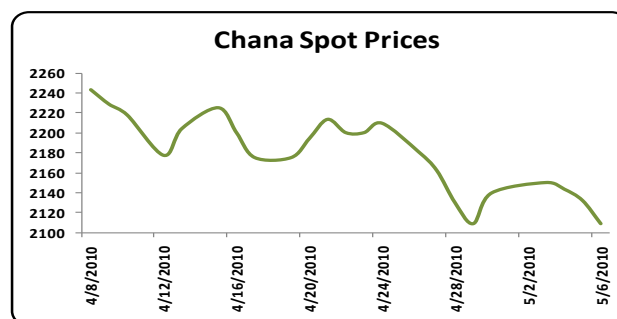
Chana May future prices witnessed down trend in the last week by extending previous week's loss and after making a low of 2066 it settled at 2096 levels. Market is finding a long term trend line support near 2060 levels sustain above is likely to push the prices on higher side. The momentum indicator RSI (14) weekly is trading at 0.20 levels (Oversold zone) and expected to bounce back. The next immediate resistance is at 2130 levels on breach and sustain above expected to trade higher for this week. We expect prices to see a high correction and recommend buying with a stop loss below 2000 levels.

Recommendation: Buy in the range 2060-70 targeting 2150 then 2190 with stop loss below 2000

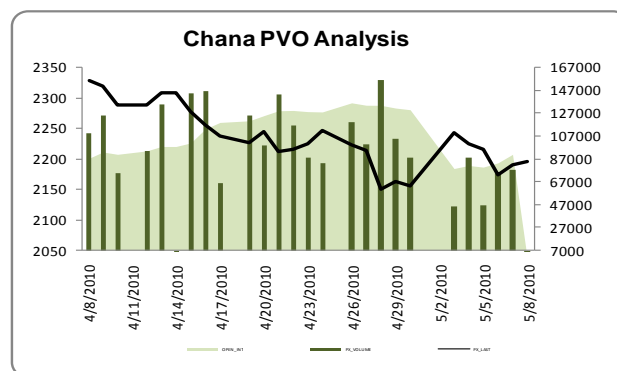
Futures prices

Contract	May	June	July
Open	2158	2258	2318
High	2162	2260	2323
Low	2066	2163	2323
Close	2096	2195	2259
%Change	-2.78	-2.49	-2.29
Volume	379630	330840	63910
%cChange	-33.07	1.48	-13.914
Open Interest	119590	90660	48570
%change	-7.82	19.29	16.56

Spot prices:



Derivatives Analysis



Guar Complex

The guar seed and guar gum futures displayed a very volatile trading last week. Initially, prices tumbled sharply extending its penultimate week's fall on account of continued profit booking. But, in later part of the week, prices recovered from earlier losses following emergence of fresh buying at lower levels. Supply shortage and strong domestic and export demand for by-products pushed up the prices. Spot markets witnessed a sharp rise in the prices during the week on strong buying interest. The active June contract guar seed futures traded in the range of Rs.2363-2455 per quintal and settled at Rs.2391 per quintal, declining by 1.85%.

Outlook

Guar seed and guar gum futures are expected to trade on a positive note during the week ahead based on strong fundamental factors

Factors to watch out

- ❖ Supply shortage and strong demand for gum, churi and korma is likely to support the price rise
- ❖ The warehouse stocks are declining day-by-day indicating good demand in the spot market
- ❖ The production in 2009-10 was down by 60% to 3.5 lakh tonnes against 8.5 lakh tonnes a year ago
- ❖ Spot markets are witnessing steady trend with good demand
- ❖ Spot price is quoting at Rs.2450-2500 per quintal in Jodhpur and guar gum is trading at Rs.5150-5200 per quintal
- ❖ The market is discounting the normal monsoon forecast report because the rainfall activity in the month of July will decide about sowing activity
- ❖ The monsoon will enter Rajasthan—a key guar seed producing state—by mid July
- ❖ The monsoon during July will play a crucial role as the sowing activity will begin from July
- ❖ NCDEX-accredited warehouses, stock of guar seed stood at 15,219 tonnes as on 7th May against 17,649 tonnes a week ago and guar gum at 15,139 tonnes compared to 22,157 tonnes a week ago

Technical analysis

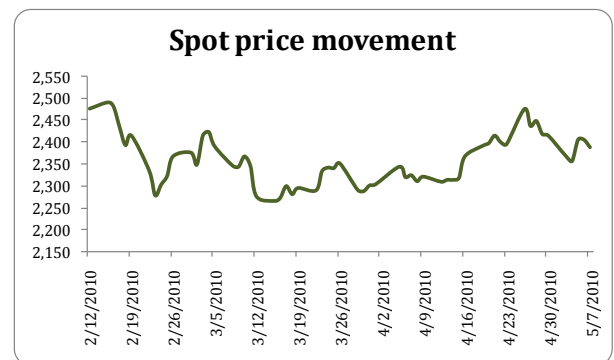
May Guar seed future prices traded sideways to lower by extending the previous week's fall and after making a low of 2347 it settled at 2391. Market is witnessing a stiff resistance at 2440(23.6% retracement of the range 3090-2238 levels) sustain below likely to trade sideways to lower. In case, if market breaches and trade above the same is likely to extend its gains for this week. However, a crucial trend line support is near to 2330-40 levels sustain above expected to limit its fall. We expect prices to trade higher on break above 2440 levels.

Recommendation: Buy above 2440 targeting 2500 then 2530 with stop loss below 2380

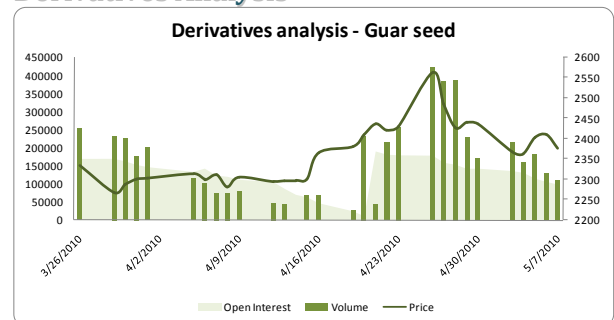
Futures prices

Contract	May	Jun	Jul
Open	2433	2450	2460
High	2441	2455	2469
Low	2347	2363	2380
Close	2391	2406	2422
% Change	-1.85	-1.80	-1.78
Volume	857160	1210870	32830
% Change	-46.26	57.75	-20.77
Open Interes	142990	87590	9880
% Change	-24.51	10.15	88.19

Spot prices:



Derivatives Analysis



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