

A Weekly Fundamental and Technical Report on Cereals, Pulses & Softs

CHANA

The chana futures showed a mixed trend last week wherein prices decline initially on selling pressure backed by weak fundamental factors. Improvement in kharif pulses harvesting and their flow to major spot markets had a bearish impact on the market. Higher stock of chana and poor buying interest from dal millers in the spot market kept the market in red. However, in later part of the week, prices recovered on short covering. Speculative buying was also seen in the market from investors on delay in announcement of MSP for Rabi crop.

Futures prices

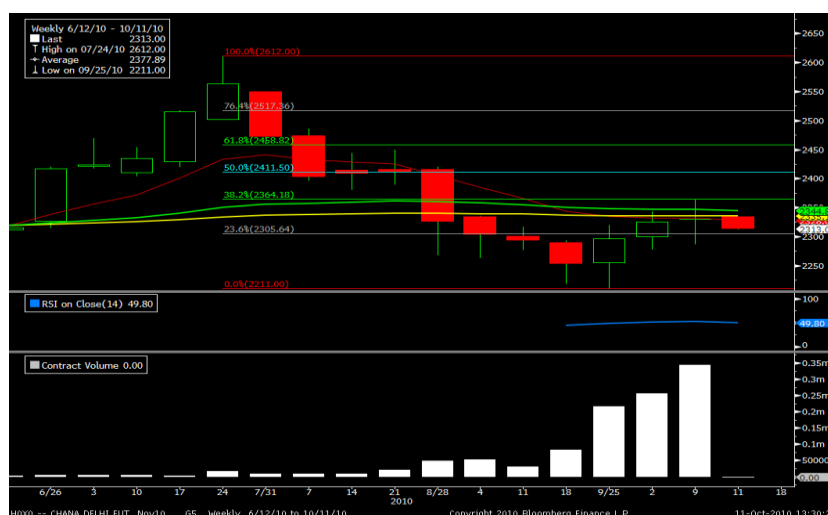
Contract	NCDEX (₹/Quintal)									
	Open	High	Low	Close	% Change	Volume	% Change	Open Interest	% Change	
Oct-10	2258.00	2307.00	2232.00	2286.00	-0.13	499330	-25.78	73960	-30.17	
Nov-10	2300.00	2343.00	2279.00	2325.00	0.22	255940	34.82	85640	27.88	
Dec-10	2328.00	2364.00	2311.00	2352.00	0.51	45710	7.96	28040	11.98	

Outlook

Chana futures is expected to recover at the beginning of the week while, overall it is likely to remain down on strong bearish fundamentals. The proposal of the central agriculture ministry to increase the MSP of chana from ₹1760/quintal to ₹2100/quintal for the current sowing season is likely to be approved by the cabinet. Central government has targeted 16.5 million tons of pulses production in 2010-11. To achieve this centre has to incentivize farmers by way of higher MSP and supply of necessary inputs. MSP decisions will positively impact the chana sowing prospects and acreage levels on conducive weather conditions and soil moisture levels. The retrieval of the monsoon is supporting the land preparation activities. The new arrivals of the urad and high production prospects of the tur imply bearish trend in the market. The stable warehouse stock will also pressurize the prices. Spot markets are likely to remain subdued during the week on eve of Navaratri, hence, we may witness range bound trade. Last year, India had produced 7.35 million tons of chana on higher acreage and favourable weather condition.

Technical analysis

This week Channa (NCDEX) November contract recovered from the low of 2288 and almost ended flat at 2327. In the weekly chart a Doji candle stick is witnessed that symbolize indecision for the coming sessions. The momentum oscillator RSI (14) is trading at 0.43. The short term weekly EMA - 9 is at 2328 levels indicating that the market is still struggling hard to resume its uptrend. As per Fibonacci principle market is resisting at 2364 levels 38.2% (natural retracement) of the recent down fall (range 2612 to 2211). The long term view of the channa prices is still holding it bullish view. For the coming week the trend remains indecisive and prices are likely to move in the band of 2350 - 2280.



Guar seed

Strategy: **BUY**

Guar seed Nov NCDEX: Buy at 1990 – 2000 TP 2088 SL 1930

The guar seed and guar gum futures saw a mixed trend last week. Initially prices fell on selling pressure on hopes of bumper crop this year. There was a speculative selling at the beginning of the week. However, in later part of the week, prices gained on short covering and emergence of fresh buying. Reports of crop damage and delay in harvesting of the crop resulted into marginal gains in the prices. Investors and traders bought futures on expectation of revival in export demand.

NCDEX (₹/Quintal)										
	Contract	Open	High	Low	Close	% Change	Volume	% Change	Open Interest	% Change
Guar Seed	Sep-10	2061.00	2094.00	1938.00	2022.00	-2.08	844500	0.20	80010	-55.37
	Oct-10	2000.00	2027.00	1955.00	2022.00	1.30	864400	45.88	132990	18.39
	Nov-10	1981.00	2034.00	1971.00	2030.00	2.06	393810	69.75	86850	-2.91
Guar Gum	Sep-10	4789.00	4814.00	4591.00	4699.00	-1.36	26180	-12.29	11920	-34.27
	Oct-10	4800.00	4830.00	4657.00	4751.00	-0.77	38985	17.89	28755	-7.57
	Nov-10	4815.00	4840.00	4706.00	4795.00	0.00	18460	35.59	14200	31.24

Outlook

The guar seed and guar gum futures are expected to trade on a positive note this week on extended short covering and fresh buying. Since the prices are near their yearly low we may expect fresh buying. Carry forward stocks for next season is expected to be lower at around 2 lakh tons. Guar gum manufacturers are likely to buy seed from the spot market to meet their medium term gum export commitments. The demand for churi and korma is picking up at lower levels. Delay in arrival of produce due to unfavourable weather condition is likely to support the prices. Guar seed production is expected to be around 70-80 lakh bags this year on higher acreage. Guar seed stocks at exchange warehouse rose to 24,276 tons on 6th October from 23,206 tons and around 2701 tons is in demat process.

Technical analysis

Guar seed (NCDEX) November contract ended near to the high of 2027 at 2025 this week. In weekly chart a Hammer candle stick formation is spotted along with higher volume at bottom level. This indicates short term correction in the down trend or sometime reversal of the current trend. Weekly EMA-9 and EMA – 18 is at 2072 and 2166 levels, respectively. As per Fibonacci 23.6% retracement is coming at 2106 levels of the recent downfall range 2654 - 1937. For this week we expect Guarseed prices to be bullish and recommend buying.



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