

1-6 November 2010

CHANA

Strategy: BUY

Recommendation: NCDEX CHANA Nov: Buy in the range of 2390-2400 TP 2465/2482 SL

below 2370

Review

The chana futures took a smart correction from its previous two weeks rally. Traders and investors liquidated their positions anticipating recent rally is looking overdone. Weakness in the spot market also had a bearish impact on the market. Lackluster buying from dal millers and other end users was the major reason for decline in spot prices. Spot prices declined by `50/quintal during the week to `2350/quintal. Active sowing of Rabi chana sowing and favorable weather condition were other bearish factors during the week. Wholesalers and retailers slowed their purchases as they bought sufficient quantity to meet the festive demand.

NCDEX (₹/Quintal)										
Contract	Open	High	Low	Close	% Change	Volume	% Change	Open Interest	% Change	
Nov-10	2426.00	2437.00	2372.00	2402.00	0.29	430880	-90.93	108100	-15.65	
Dec-10	2467.00	2474.00	2415.00	2441.00	0.41	221090	-85.06	86290	15.79	
Jan-10	2490.00	2500.00	2450.00	2473.00	0.49	26490	-80.94	18350	-2.81	

Spot price movement (₹/quintal)

	Indore	Delhi	Latur	Jalgaon	Mumbai *
25/10/2010	2325	2400	2500	2350	2480
26/10/2010	2375	2380	2300	2400	2500
27/10/2010	2370	2400	2300	2400	2480
28/10/2010	2275	2375	2300	2400	2500
29/10/2010	2353	2350	2315	2400	2470

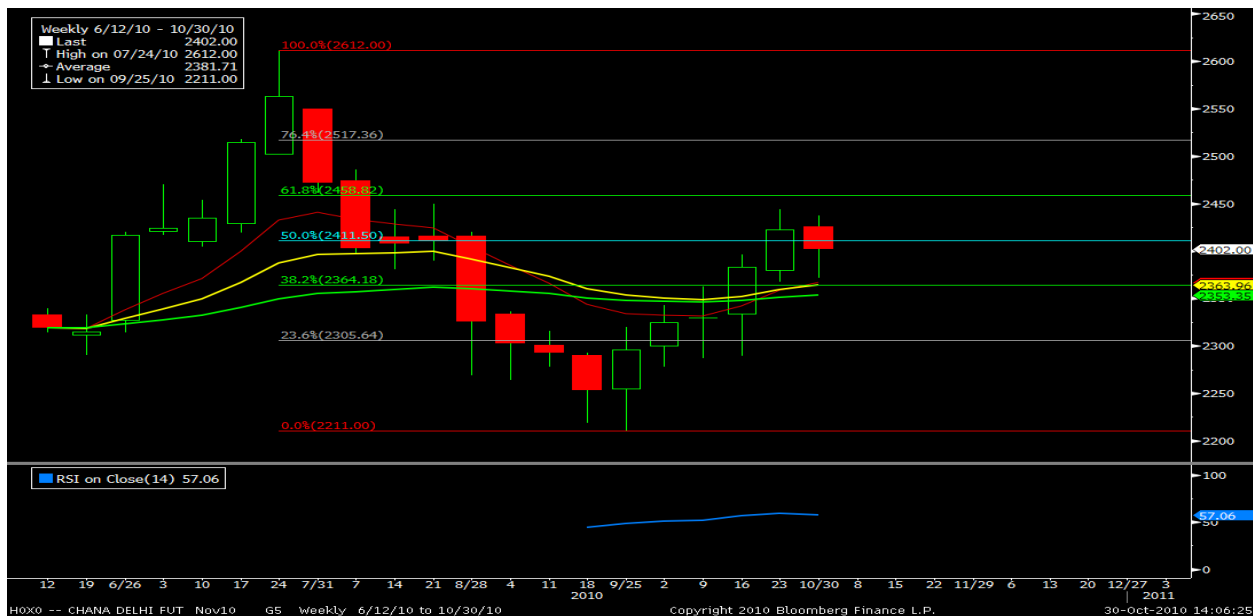
* Australian chana

Outlook

Chana futures prices are expected to trade higher on emergence of fresh buying. There are reports of crop shifting in Rajasthan from chana to mustard seed, which might have a long term impact on the market. Sowing activity in South India is in full-swing, but, the pace of planting is very slow. According to Andhra Pradesh Agriculture Department, 39% of the sowing has been completed as on 27th October. A total area of 2.231 lakh hectares is sown with chana as on 27th October 2010, which is lower than 3.59 lakh hectares planted in the same period last year. This activity will intensify after Diwali. Madhya Pradesh and Rajasthan farmers are likely to commence sowing operation after Diwali. According to the trade sources, around 20% of the area is likely to be shifted to kabuli chana from other varieties. This could be because of higher price for Kabuli chana compared to other varieties.

Technical Analysis:

Chana November future closed at 2402 after a small correction this week. Weekly chart of chana is looking bullish. A small hammer candle stick after a long black candle stick indicating that the uptrend in the market will continue for the coming week. Last week, chana prices breached the long term trend line with high volume as shown in the chart above suggesting bullishness in the trend. An EMA cross over is spotted in the weekly chart as medium term EMA-45 is at 2260 and short term EMA is at 2273. This suggests that the trend is likely to remain bullish for the coming week. RSI (14) is trading at 0.60 indicating upside potential for the commodity. For the coming week we expect prices to go up and therefore recommend to go long.



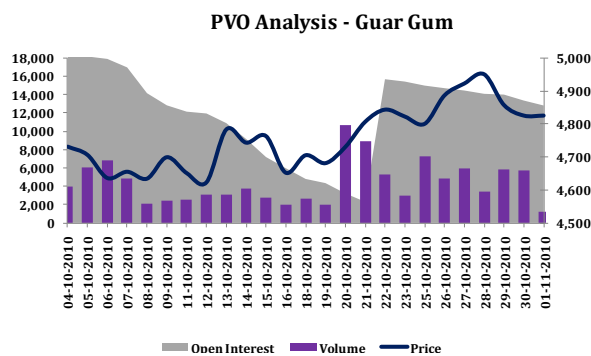
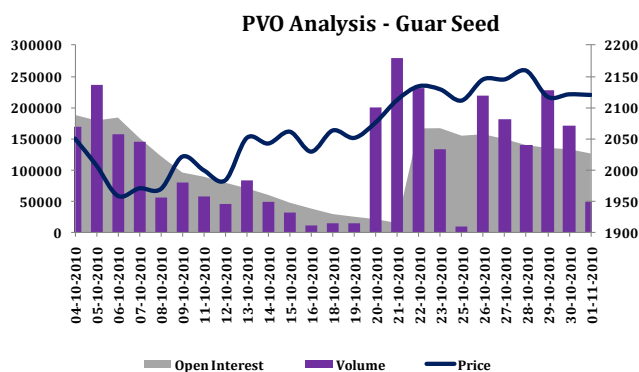
Guar

Strategy: Sideways

Review

The guar seed and guar gum futures showed a volatile trend last week. Initially, prices went up based on bullish fundamental factors like strong buying interest in the spot market amid higher arrivals. Robust demand for gum, churi and korma supported the rise in the prices. But in later part of the week, prices declined on profit booking. Month end position squaring was also feature of the week. Prices even went into negative territory on speculative selling on reports of huge arrivals to the spot market. But, towards end of the week, prices recovered from the low on bullish fundamental factors.

NCDEX (₹/Quintal)											
	Contract	Open	High	Low	Close	% Change	Volume	% Change	Open Interest	% Change	
Guar Seed	Nov-10	2134.00	2134.00	2112.00	2121.00	-0.05	53680	-95.15	15930	-38.33	
	Dec-10	2165.00	2169.00	2144.00	2152.00	-0.14	45520	-93.08	126700	-18.25	
	Jan-10	2180.00	2200.00	2175.00	2184.00	-0.05	2530	-95.31	153910	15.83	
Guar Gum	Nov-10	4897.00	4897.00	4811.00	4822.00	-0.06	1350	-95.38	2295	-47.00	
	Dec-10	4921.00	4955.00	4895.00	4909.00	0.00	1490	-95.76	12790	-14.51	
	Jan-10	5000.00	5010.00	4965.00	4975.00	0.00	245	-94.12	30285	-1.80	



The fall in volume and open interest along with rise in price is indicating a positive trend for the guar seed prices in the week ahead.

Outlook:

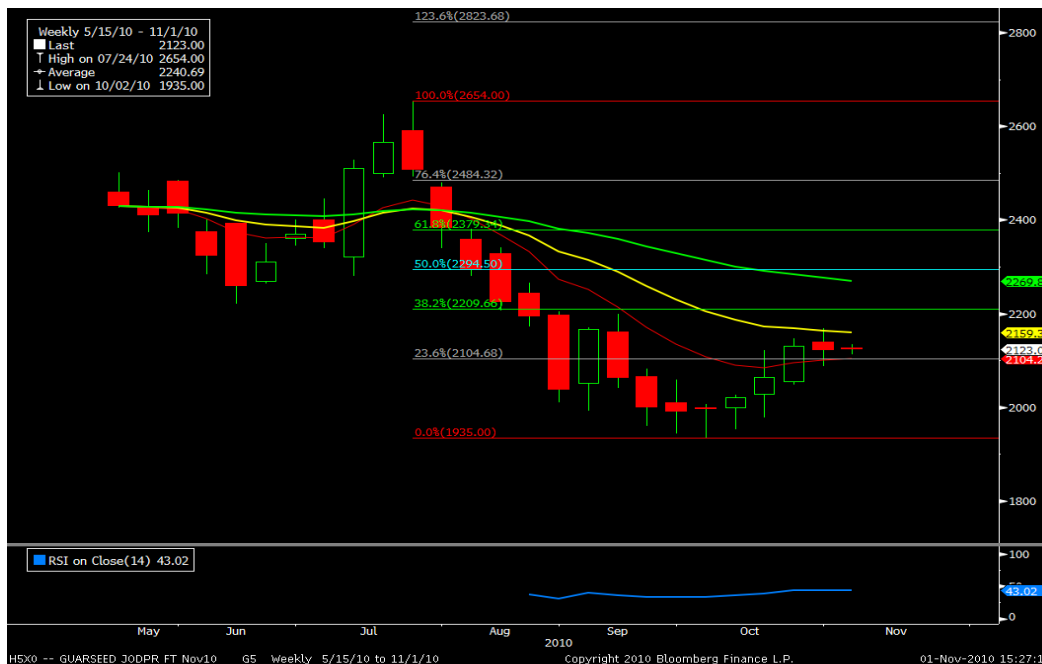
Guar seed and gum futures are expected to trade on a positive note this week based on strong fundamental factors. Harvesting of the crop is not at its full-swing as delay in monsoon withdrawal has resulted into late maturity of the crop. This may result into postponement of active arrivals to the spot markets. Indian traders are getting fresh guar gum export orders. Report of crop damage in Pakistan—second largest guar seed producer—is an advantage for India to meet the global requirement. There has been shift in export demand to India from Pakistan. Indian guar gum exports are likely to increase by around 30-40% this year. Though we have been getting different production forecast from the traders ranging between 70-120 lakh bags; we can comfortably say production could be in the range of 70-80 lakh bags. The anticipated isolated rainfall in the regions of Rajasthan becomes hurdle for the crop harvesting, drying and also deteriorates the quality of the harvested crop.

Technical Analysis:

Guarseed ended almost flat at 2122 after the whole week's volatility. Weekly chart of Guarseed is looking side ways for the next week reason being: -

- A doji candle stick formation this week suggest indecisiveness in the market
- As per Fibonacci principle prices are resisting at 38.2% (2209 levels) natural retracement of the range 2654 – 1935
- EMA – 18 is at 2159 that is crucial resistance for the coming week
- The momentum indicator RSI (14) is at 0.43 indicating indecisive mode for the coming week.

For the next week we expect prices to remain side ways in the band of 2159 – 2100



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