



10-14 Jan 2011

## Guar Complex

Strategy: **Buy**

Recommendation: **Guar seed NCDEX Jan: Buy above 2470 TP 2550 then 2590 SL 2400**

**Review:** The guar seed and guar gum futures opened positive during the last week while it traded down side. The down fall erased the gains but towards the closing due to short covering the prices closed positive. No fresh export demand was reported across the spot markets while the ready gum was been bought. The arrivals remained stable across India around 60,000 bags and the prices were around `2400/quintal. Sluggishness prevailed across the spot markets due to cold wave conditions and slack buying from the guar gum millers and powder manufacturers. Full utilization of the mill capacity has resulted in the higher production of churi and korma which affected the sentiments in the market.

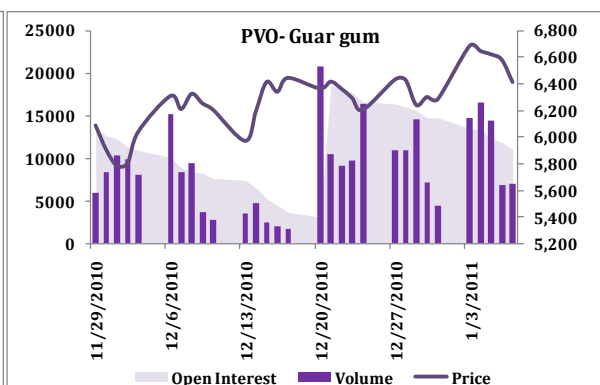
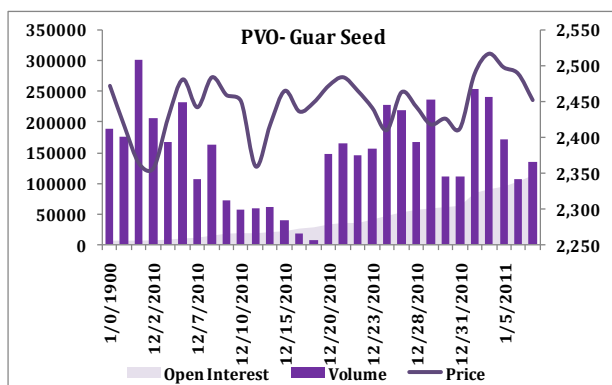
### Guar Seed

NCDEX (₹/Quintal)									
Contract	Open	High	Low	Close	% Change	Volume	% Change	Open Interest	% Change
Jan-11	2435.00	2531.00	2431.00	2456.00	0.70%	986500	-0.68%	103250	-34.30%
Feb-11	2479.00	2576.00	2474.00	2507.00	0.97%	661080	103.04%	123620	72.90%
Mar-11	2522.00	2614.00	2500.00	2553.00	0.95%	24630	191.82%	12290	151.33%

### Guar Gum

NCDEX (₹/Quintal)									
Contract	Open	High	Low	Close	% Change	Volume	% Change	Open Interest	% Change
Jan-11	6440.00	6745.00	6310.00	6426.00	-0.29%	62185	11.79%	10495	-28.21%
Feb-11	6536.00	6839.00	6474.00	6536.00	-0.08%	86200	44.03%	38180	-2.35%
Mar-11	6598.00	6930.00	6561.00	6637.00	0.33%	12535	141.06%	8835	169.36%

Spread Matrix - Guar gum					Spread Matrix - Guar seed				
	Spot	Feb-11	Mar-11	Jan-00		Spot	Jan-11	Feb-11	Mar-11
Spot	0				Spot	0			
Jan-11	106.90	0.00			Jan-11	-39.85	0.00		
Feb-11	-3.10	110.00	0.00		Feb-11	-90.85	51.00	0.00	
Mar-11	-104.10	211.00	211.00	0.00	Mar-11	-136.85	97.00	46.00	0.00

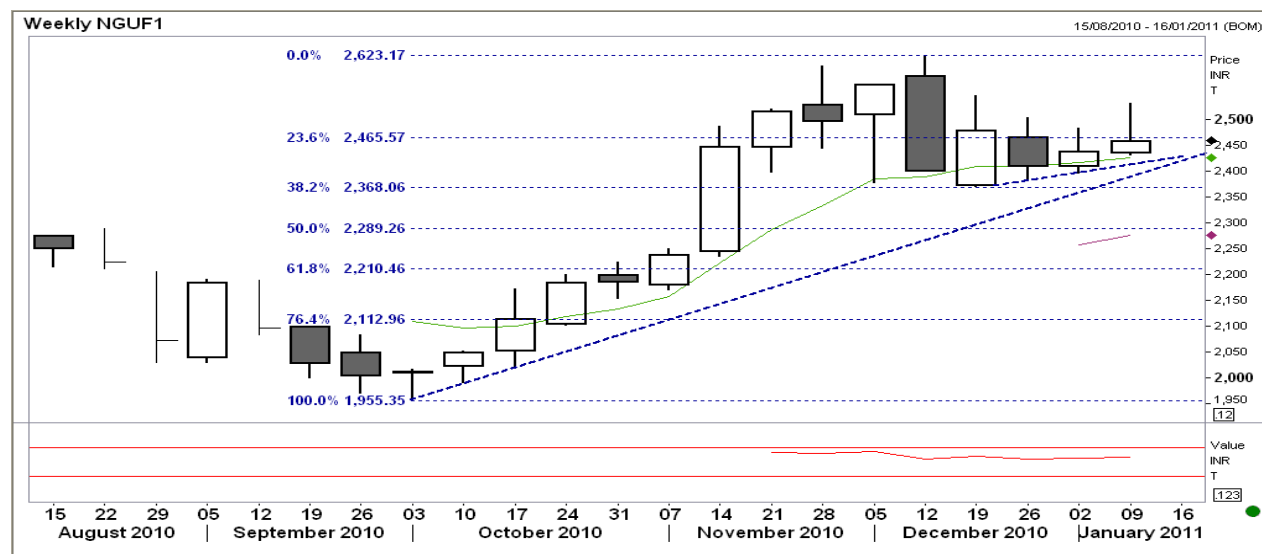


## Outlook:

Guar seed and guar gum futures are expected to trade in range with more bias towards the up side for the week ahead. The spot prices have decreased a tad to ₹ 2380/quintal as on Monday from ₹ 2420/quintal in the last week. As the prices cool off further fresh export enquiries for the gum is expected to increase. The cold wave conditions likely to extend for the week ahead can cap any steep gains of the prices as it would result in sluggish spot activities. According to markets sources the buying of ready guar gum manufacturers across the spot markets is reported to be higher. The dematted stocks have been increasing on anticipation of the good demand for gum in future from the crude oil extracting nations. The ratio between the guar seed and gum has been decreasing from 2.64 in the penultimate week to current 2.61 levels in the last week which shall further increase on good demand for the guar gum.

## Technical Analysis:

January future guar seed prices initially traded higher by continuing the previous gains after making a weekly high of 2531 it settled at 2456 levels. Weekly closing candle suggests indecisive movements could be seen for the coming week. Market is witnessing a trend line support near 2400 levels sustain above would limit the downside fall. Moving average principle suggests bullish trend is still intact as the prices are hovering above the weekly short term (8, 21) EMA. AS per the fibonacci principle market is witnessing a resistance at 2465 (23.6% retracement of the range 1955-2623 levels). On breach and sustained trade above the same is likely to remain higher. Overall, analysis suggests market would be in the range of 2400-2465 levels. Either side breakout would confirm the trend.



## CHANA

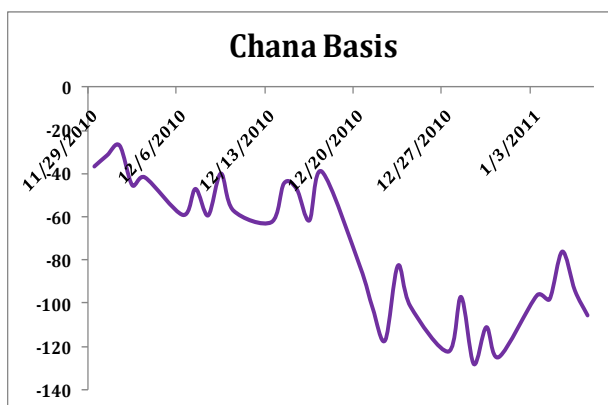
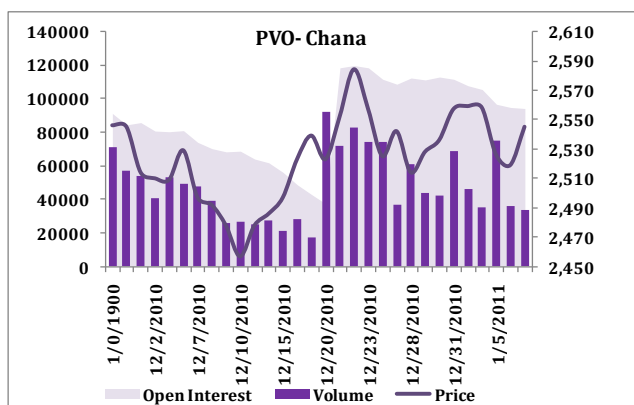
### Strategy: Sideways

The chana futures traded negative during the opening of the week on concerns about the higher production and the acreage as the weather is also congenial. Towards the closing of the week the prices gained on account of fresh buying and concerns about the weather. According to the trade sources, prolonged cold wave across north India could affect the chana crop helped the prices to close in green. The spot prices remained steady around Rs.2400-2475/quintal. According to central agriculture ministry data area under pulses has

increased by 6% to 14.16 million hectares as on 7<sup>th</sup> January. The anticipation of higher yields has been affecting the market sentiments.

Chana

NCDEX (₹/Quintal)									
Contract	Open	High	Low	Close	% Change	Volume	% Change	Open Interest	% Change
Jan-11	2567.00	2579.00	2512.00	2551.00	-0.51%	241190	-13.41%	92590	-15.92%
Feb-11	2565.00	2580.00	2531.00	2559.00	-0.16%	163860	-3.89%	68120	22.74%
Mar-11	2500.00	2514.00	2477.00	2501.00	0.08%	44550	-13.53%	45220	13.88%



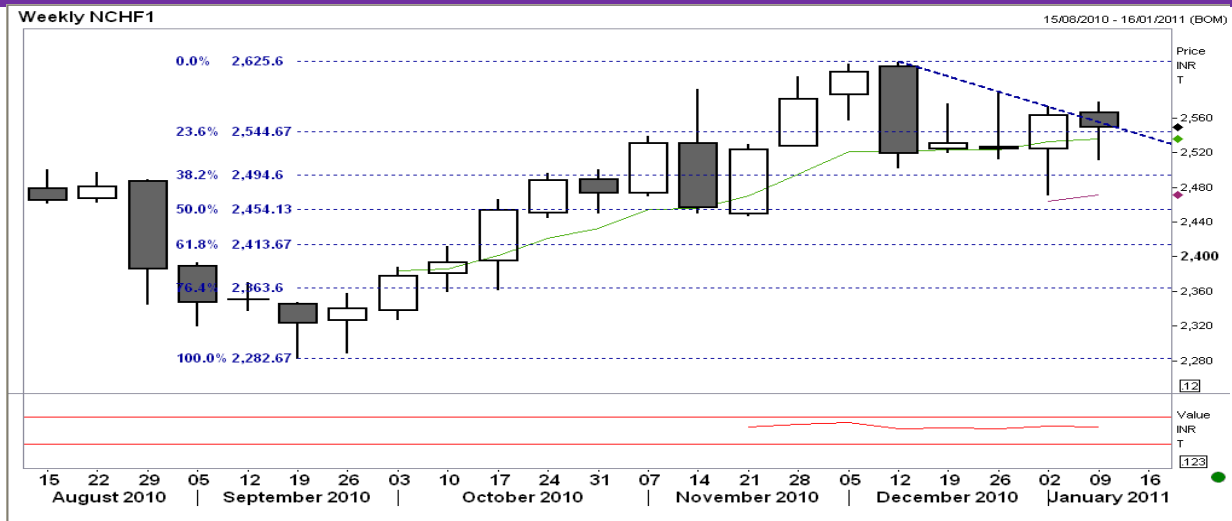
### Outlook:

Chana futures prices are likely to trade in a range for the next week. The millers demand has started to decline across the spot markets. The increased acreage is also exerting pressure on the prices. The roll over of the contract and the likely higher stocks is expected to exert pressure on the market. Cold wave conditions prevailing over North India is creating concerns about the productivity as prolonged cold conditions might affect the pod setting and also the quality of the produce. However it is too early to comment about the crop damage as chana is hardy crop and can tolerate temperatures up to 2 to 6 degree Celsius. The prediction of IMD about the cold wave conditions to prolong over Central India and Rajasthan might keep the prices biased towards the upside.

Spread Matrix				
	Spot	Jan-11	Feb-11	Mar-11
Spot	0			
Jan-11	-111.50	0.00		
Feb-11	-119.50	8.00	0.00	
Mar-11	-61.50	-50.00	-58.00	0.00

**Technical Analysis:** Chana January future prices traded lower in last week by reversing the previous trend. Initially it made a low of 2512 thereafter it started rising and settled at 2551 levels. Overall, market traded within the range of previous week. Candlestick principle suggests sideways movements could be possible. On the lower side support is at 2544 levels (23.6% retracement of the range 2625-2282 levels). Sustained trade above the same is likely to push the prices on higher. However, only a significant break above 2580 levels would confirm the bullish trend. Moving average principle signals upside movements could be continued as the prices are trading above weekly short term EMA. RSI weekly (14) is at 0.54 levels and still has the potential to move higher. The key level to watch for this week is at 2510 levels. Overall, we expect prices to move sideways with higher bias.

# Pulses Weekly



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