



31 Jan-5 Feb 2011

Guar Complex (Buy)

Guar seed NCDEX Feb: Buy at 2820-2840 TP 2920 SL 2780

Review: The guar seed and guar gum futures traded negative for four successive trading sessions due to profit booking on previous rally. Spot markets witnessed subdued trading in absence of active participation from local traders. The stockists and guar gum manufacturers were inactive across the spot markets on anticipation ease in guar seed prices. The prices of guar seed across the spot markets cooled off from highs of ₹2700/quintal to ₹2620/quintal towards the closing of the week. However, in later part of the week, prices recovered on emergence of fresh and hit upper circuit levels on Friday. The arrivals also decreased from 45000 bags to 30000 bags in the week as the fresh arrivals have come to an end. Around 80-90% of the fresh crop arrivals have come into the spot markets as of now. Good demand for churi and korma is witnessed as the summer season is approaching supported the recovery of the prices towards closing. The ratio of the guar seed and guar gum has increased from 2.63 levels to 2.71 levels.

Guar Seed

NCDEX (₹/Quintal)									
Contract	Open	High	Low	Close	% Change	Volume	% Change	Open Interest	% Change
Feb-11	2811.00	2899.00	2714.00	2830.00	0.68%	1180170	-11.29%	200890	1.71%
Mar-11	2885.00	2962.00	2770.00	2881.00	0.38%	448740	115.25%	66180	143.94%
Apr-11	2922.00	3005.00	2818.00	2932.00	0.34%	6680	100.00%	1240	244.44%

Guar Gum

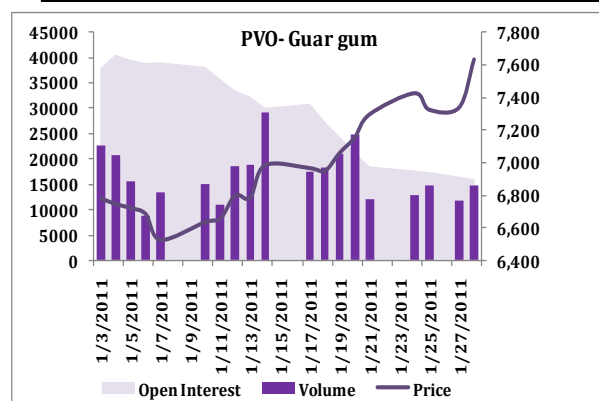
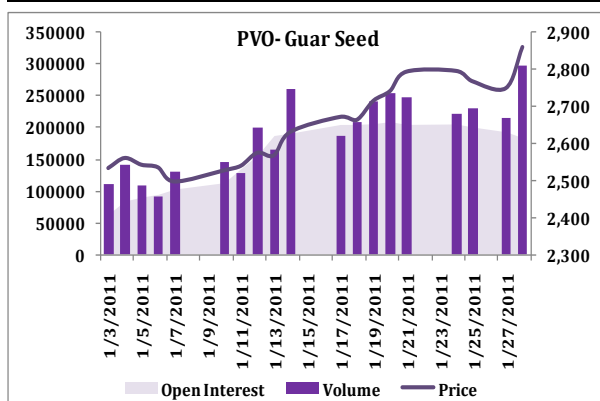
NCDEX (₹/Quintal)									
Contract	Open	High	Low	Close	% Change	Volume	% Change	Open Interest	% Change
Feb-11	7420.00	7858.00	7208.00	7670.00	3.51%	68535	-33.39%	29865	-16.18%
Mar-11	7624.00	8023.00	7351.00	7817.00	3.56%	50440	19.38%	27670	12.56%
Apr-11	7600.00	8129.00	7442.00	7976.00	4.40%	2395	219.33%	200	178.22%

Guar seed- Spread Matrix

	Spot	Feb-11	Mar-11	Apr-11
Spot	0			
Feb-11	-58.55	0.00		
Mar-11	-109.55	51.00	0.00	
Apr-11	-160.55	102.00	51.00	0.00

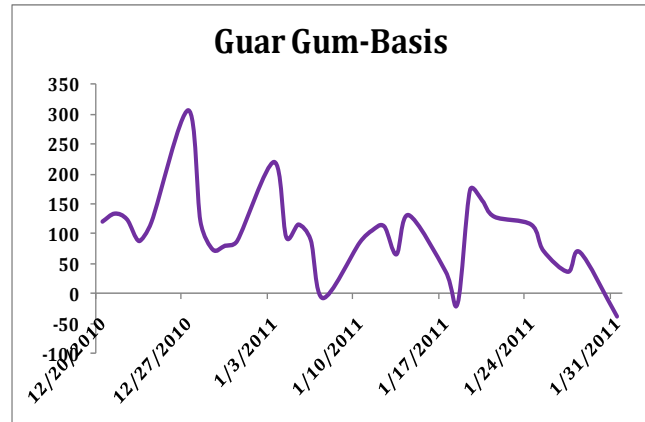
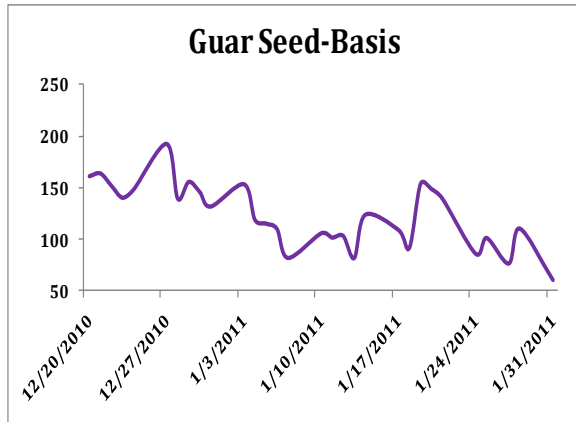
Guar gum- Spread Matrix

	Spot	Mar-11	Apr-11	Jan-00
Spot	0			
Jan-11	65.55	0.00		
Feb-11	-81.45	147.00	0.00	
Mar-11	-240.45	306.00	306.00	0.00



As per the derivative analysis the increase in prices, volume and the decline in open interest is an indication that liquidation at the higher prices might happen. The prices might be subjected to large price swings in short time frame subjecting the prices to correction and create significant bottom.

*Basis= Futures- Spot



The basis of the guar seed and gum are on declining note while the basis of gum has turned negative in comparison to seed. The strong physical demand for the guar gum is the reason for this move which is expected to continue for the week ahead.

Outlook:

The bullish trend can be seen in guar seed and gum futures in the week ahead. The arrival of the 2010 guar crop has almost come to an end across the spot markets. Strong export enquiries for guar gum are reported from US and China. Lower supply and strong demand are anticipated to support the guar seed and guar gum prices. The stockists are aggressively buying ready guar gum across the spot markets while the millers are busy utilizing the full crushing capacity of the mills. Good demand for churi and korma is reported across the spot markets as the summer season is approaching. The market participants are expecting that many new guar gum export companies might come into picture in the current year which is also a sign of the strong demand for the gum. The dematted stocks of guar seed and gum have increased from 86521 and 17656 tons as on 22th Jan to 88651 and 18239 tons as on 27th January in the NCDEX accredited ware houses. The projected increase in the crude oil extraction in the short term on back of the recovering global economy shall extend support to the prices.

Technical Analysis

February guar seed future prices witnessed downfall in the initial days of the week. After making a low of 2714 on Friday's trading session prices started rising and settled higher at 2830 levels at the end of the week. Overall, it gained as much as 0.7% from previous close of 2811. As per the fibonacci principle market is witnessing a stiff resistance near 2882 (76.4% projection of the range 1980-2635 levels). On breach and sustained trade above would lead the prices to gain further. In weekly chart prices are hovering in a trend channel and witnessing a trend line resistance near 2930 levels. Incase market fails to sustain above is possible to move sideways in the band of 2790-2930 levels. RSI (14) weekly is at 0.70 levels and still has the potential to move higher. Overall, we expect prices to continue its upside momentum and recommend buying near support levels.



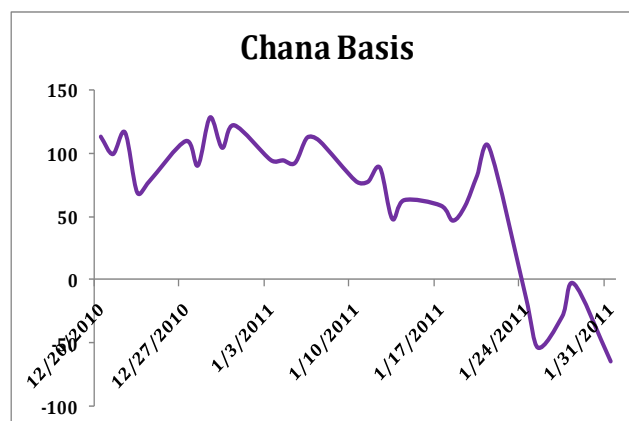
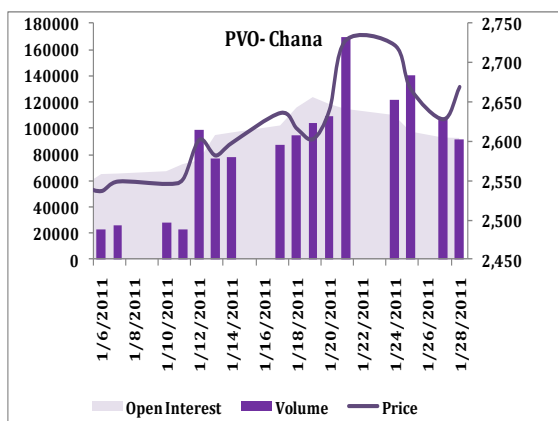
CHANA (Sell)

Chana NCDEX Feb- Sell at 2660-80 TP 2600/2570 SL 2725

The chana futures plunged over 5% last week on strong selling pressure. Weakness in local demand in the physical market led the prices to fall from ₹2750/quintal to ₹2650/quintal. The recovering weather conditions erased the gains on reassuring normal crop expectations. The likely imports of yellow peas also exerted pressure on the market. The buying from the retailers and millers for the wedding season demand of chana dal and besan has almost come to an end across the major spot markets. The offloading of stocks at higher price levels as the arrivals were as high as 40-60 truck loads pressurized the prices at the spot markets and in turn the futures also. According to central agriculture ministry data area under chana has increased by 8% to 88.79 lakh hectares as on 14th January.

Chana

NCDEX (₹/Quintal)									
Contract	Open	High	Low	Close	% Change	Volume	% Change	Open Interest	% Change
Feb-11	2773.00	2775.00	2602.00	2624.00	-5.03%	522600	-23.18%	89340	-12.36%
Mar-11	2800.00	2805.00	2628.00	2656.00	-4.91%	480180	37.34%	74340	21.43%
Apr-11	2823.00	2825.00	2673.00	2705.00	-4.35%	157390	9.86%	56930	-3.66%



Derivatives analysis (rise in price, decline in volume and open interest) is indicating the bearish trend of the prices for the week ahead. The basis indicates that difference is likely to decrease further in the next week.

Outlook

Chana futures are expected to trade bearish for the week ahead. The decreasing demand across the spot markets is likely to support the downtrend. The buying for the marriage season by the retailers and millers has almost come to end. The arrivals from south India is likely to start off in February exerting pressure on the futures. The import of 50000 tons of yellow peas from Canada between Jan-15 to Feb-15 needs cautious attention as the commodity is emerging as the substitute for chana and besan. Recovery weather conditions across north India is reducing the anxiety of the crop damage and reassuring the hopes of the normal production. According to news sources in some pockets like Malwa belt 80-90 per cent gram

Chana- Spread Matrix				
	Spot	Jan-11	Feb-11	Mar-11
Spot	0			
Jan-11	-61.55	0.00		
Feb-11	-94.55	33.00	0.00	
Mar-11	-84.55	23.00	-10.00	0.00

(chana) crop has been damaged however the authorized estimates are still awaited. The steady demand in the prices of the other pulses might also affect the sentiments of the chana prices.

Technical Analysis: Chana February future prices fell sharply in last week by reversing the previous trend. Initially it went up after making a weekly high of 2775 levels prices started declining and settled lower at 2624 levels. Closing of the previous two weeks candle resembles **"Bearish engulfing"** pattern suggesting a downside view for the coming week. A higher correction could be seen before resuming its downtrend. The key level to watch for this week is at 2690 levels (61.8% projection of the range 2282-2604 levels). Sustain below is expected to limit the gains. On the lower side market is witnessing a strong support near 2600 levels (previous



swing high and trend line), which could help the prices to remain higher. The weekly RSI (14) is at 0.63 levels and showing a lower potential for this week. Overall, analysis suggests market is likely to remain higher if it sustains below the resistance at 2690 levels.

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