



# Pulses Weekly

21-26 Feb 2011

## Guar Complex (Buy)

**Recommendation: Guar seed NCDEX March: Buy at 2850-2870 TP 2930/2960 SL 2800**

**Guar gum Mar NCDEX: Buy at 8180-8220 TP 8500/8680 SL 7970**

**Review:** Guar seed and guar gum futures slightly traded positive during the last week after a fall in the previous week. The prices extended the penultimate week's correction during the opening while recovered the down fall in the further trading sessions. The strong demand for the guar gum across the spot markets supported the prices. The supply crunch of the guar gum which was created by the stockists left minimal quantities of the guar gum across the spot markets. The sudden spurt in demand as the exporters were due to ship the guar gum helped the prices to gain both at the futures and also spot. Around 80% of the fresh crop arrivals have come into the spot markets and almost the same has been crushed also. The arrivals have remained steady around 25-30000 bags through out the week. The ratio of the guar seed and guar gum decreased to 2.85 levels from 2.89 in the penultimate week.

### Guar Seed

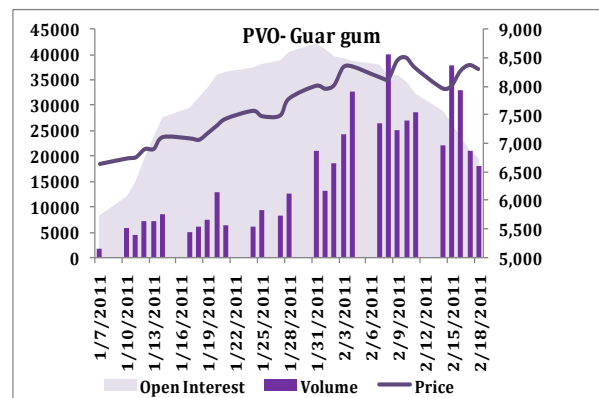
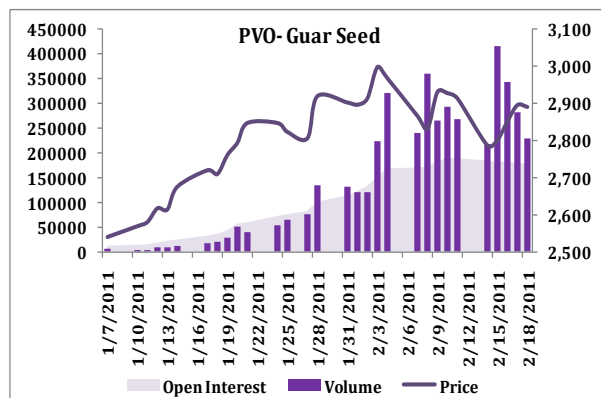
| NCDEX (₹/Quintal) |         |         |         |         |          |         |          |               |          |
|-------------------|---------|---------|---------|---------|----------|---------|----------|---------------|----------|
| Contract          | Open    | High    | Low     | Close   | % Change | Volume  | % Change | Open Interest | % Change |
| Feb-11            | 2896.00 | 2952.00 | 2712.00 | 2923.00 | 0.65%    | 1732190 | 11.10%   | 180420        | -6.56%   |
| Mar-11            | 2960.00 | 3012.00 | 2775.00 | 2985.00 | 0.67%    | 159610  | 169.66%  | 56770         | 114.47%  |
| Apr-11            | 3000.00 | 3064.00 | 2873.00 | 3036.00 | 0.53%    | 3480    | 100.00%  | 1390          | 43.30%   |

### Guar Gum

| NCDEX (₹/Quintal) |         |         |         |         |          |        |          |               |          |
|-------------------|---------|---------|---------|---------|----------|--------|----------|---------------|----------|
| Contract          | Open    | High    | Low     | Close   | % Change | Volume | % Change | Open Interest | % Change |
| Mar-11            | 8280.00 | 8500.00 | 7701.00 | 8340.00 | 0.45%    | 145575 | -8.83%   | 18040         | -43.79%  |
| Apr-11            | 8550.00 | 8664.00 | 7900.00 | 8571.00 | 0.50%    | 48175  | 56.16%   | 39590         | 64.17%   |
| May-11            | 8667.00 | 8814.00 | 8090.00 | 8753.00 | 0.77%    | 850    | 900.00%  | 500           | 300.00%  |

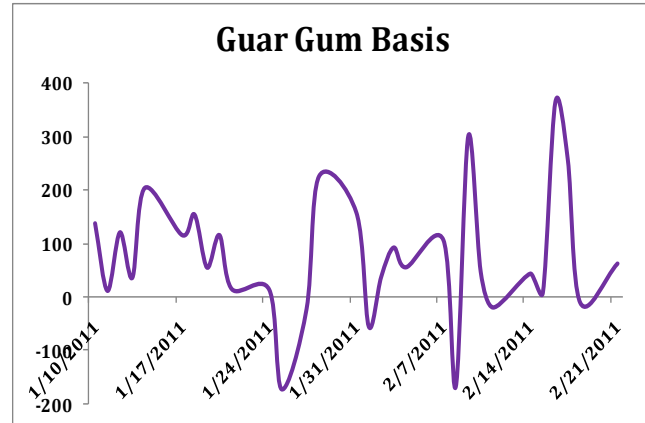
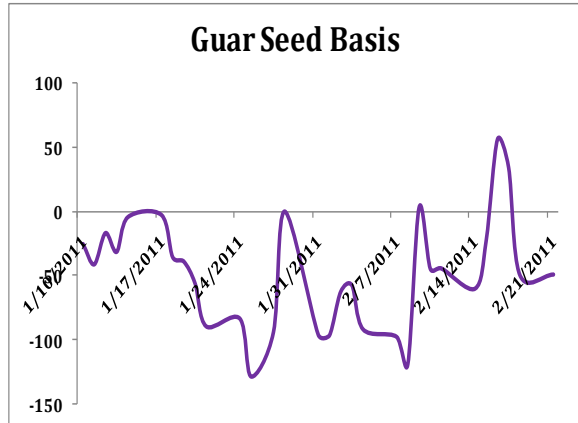
| Spread Matrix |         |        |        |        |
|---------------|---------|--------|--------|--------|
|               | Spot    | Mar-11 | Apr-11 | May-11 |
| Spot          | 0       |        |        |        |
| Mar-11        | -80.50  | 0.00   |        |        |
| Apr-11        | -142.50 | 62.00  | 0.00   |        |
| May-11        | -193.50 | 113.00 | 51.00  | 0.00   |

| Spread Matrix |         |        |        |        |
|---------------|---------|--------|--------|--------|
|               | Spot    | Apr-11 | May-11 | Jan-00 |
| Spot          | 0       |        |        |        |
| Mar-11        | 41.80   | 0.00   |        |        |
| Apr-11        | -189.20 | 231.00 | 0.00   |        |
| May-11        | -371.20 | 413.00 | 413.00 | 0.00   |



The derivative analysis (increase in prices and volume while open interest is decreasing) is an indication that the prices might correct in the week ahead which is expected to create significant bottom for the uptrend in future.

\*Basis= Futures- Spot



The basis of the guar gum has resumed the positive note which is further expected to continue in the week ahead. The basis of the guar seed might also resume positive trend tracking gum.

### Outlook:

The guar seed and guar gum futures are expected to trade positive in the week ahead with limited gains. Strong demand from the exporters for the guar gum is supporting the uptrend in the prices. The lower arrivals of the guar seed and the limited availability of guar gum due to stocking are expected to support the uptrend in the prices. The deliveries allocation in NCDEX is higher by 400 tons in guar gum and 1490 tons in guar seed than the deliveries in the January month. The arrivals of these deliveries in the spot markets might keep the spot prices stable. In turn the gain in the futures platform is expected to be limited on the same grounds. The export consignments are set to despatch for the concerned destinations. The higher production of churi and koma might limit the gain in the prices. The ratio between the guar seed and gum is expected to decrease gradually towards the normal of 2.4 levels.

### Technical Analysis

Guar seed March future prices initially witnessed downfall by continuing the previous trend. After making a weekly low of 2712 it started rising and settled higher at 2923 levels. Candlestick principle suggests indecisive movements could be possible as the candle resembles "Doji". Market is hovering in trend channel and witnessing a strong support near 2720 levels, which would lead the prices to remain higher as long as it hold. Moving average principle suggests bullish trend is still intact as the prices are hovering above the weekly EMA's (8, 21 & 34). As per the fibonacci principle resistance is seen at 2899 levels (23.6% retracement of the range 3040-2444 levels). Daily closing above the same is expected to move further high. However, if market sustain well above 2930 levels is possible to extend its gains for this week. Overall, we expect prices to remain higher and recommend buying.



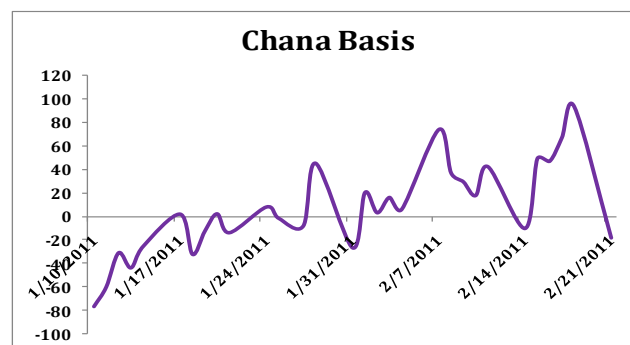
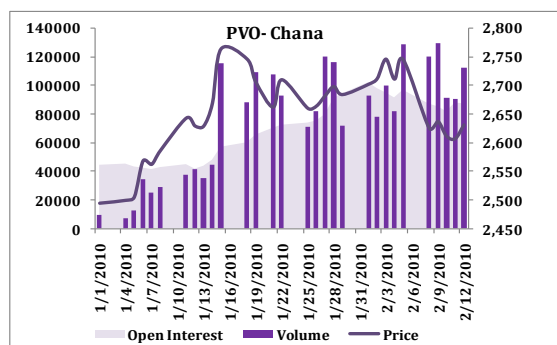
## CHANA (Sell)

**Recommendation: Chana NCDEX March: Sell at 2630-2650 TP 2580/2540 SL 2690**

Chana futures declined successively for second week during last week due to weak demand across the spot markets. The arrivals gained momentum across the spot markets in south India which pressurized the prices to drop by ₹100/quintal in a week. The drop in spot prices had a similar effect on the prices of chana across the north Indian markets as the arrivals from M.P has started hitting the spot markets. Sluggish demand across the spot markets as the stockists and millers were inactive and yet awaiting further fall in the prices to accumulate. The imports of the yellow peas have reached the Indian ports while the official figure of the same is not available. The demand is reported dull across the major markets which pressurized the prices of chana. According to second advance estimate the production of chana is expected to remain same at 7.37 million tons compared to previous years.

Chana

| NCDEX (₹/Quintal) |         |         |         |         |          |        |          |               |          |
|-------------------|---------|---------|---------|---------|----------|--------|----------|---------------|----------|
| Contract          | Open    | High    | Low     | Close   | % Change | Volume | % Change | Open Interest | % Change |
| Mar-11            | 2727.00 | 2727.00 | 2592.00 | 2619.00 | -4.21%   | 579250 | 7.63%    | 88710         | -6.37%   |
| Apr-11            | 2827.00 | 2827.00 | 2691.00 | 2711.00 | -4.37%   | 345950 | -7.31%   | 84460         | -12.97%  |
| May-11            | 2895.00 | 2895.00 | 2766.00 | 2780.00 | -4.20%   | 111730 | -1.35%   | 43010         | -1.15%   |



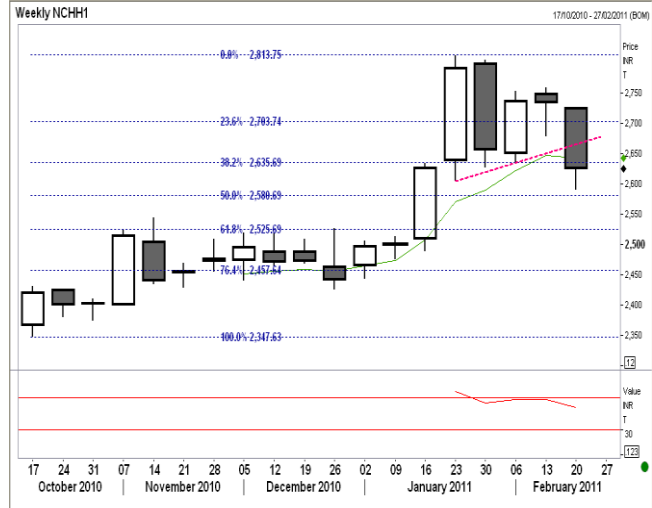
Derivatives analysis (decrease in price and open interest while volume is increasing) is indicating the bearish trend in prices is intact for the week ahead. The basis indicates that difference is reversed in the last week which is anticipated to extend for the week ahead as the spot prices are quoting higher than the futures.

## Outlook

Chana futures is expected to continue the bearish trend in the week ahead. The harvesting and post harvest operations have come to an end across the south India. The fresh crop arrivals in south are also likely to come an end in a fortnight while the arrivals of M.P will gain momentum in the mean time. Thus the pressure of the arrivals is expected to be remaining on the futures in the short term. The stockists across the country for the prices to correct further which might create good buy point both at the spot and also futures. The arrivals from Rajasthan are expected to hit the markets by March end. The current crop condition in Rajasthan is reported to be good which is further strengthening the hopes of higher production. All these sentiments are expected to impact the prices to be biased towards the down side for the week ahead.

| Spread Matrix |         |        |        |        |
|---------------|---------|--------|--------|--------|
|               | Spot    | Mar-11 | Apr-11 | May-11 |
| Spot          | 0       |        |        |        |
| Mar-11        | -8.35   | 0.00   |        |        |
| Apr-11        | -100.35 | 92.00  | 0.00   |        |
| May-11        | -169.35 | 161.00 | 69.00  | 0.00   |

**Technical Analysis:** Chana March future prices fell sharply in last week by declining as much as 4.2% from previous week's close. Weekly candle closing suggests downside movements for this week. Market is witnessing a trend line resistance near 2670 levels, which would be a key level to watch. Sustained trade below the same leads the prices to remain lower. As per the fibonacci principle immediate resistance is at 2635 levels, we expect prices to remain lower as long as it holds the same. The supports are at 2580 then 2520 levels. Moving average principle suggests downside movements to be continued as the prices are hovering below the weekly EMA's (8, 21 & 34). RSI (14) weekly is at 0.57 levels and started moving lower suggesting downside price movements. Overall, analysis suggests market is likely to remain lower.



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