



14-19 Mar 2011

Guar Complex

Recommendation: Guar seed NCDEX March: Sell at 2740-2760 TP 2660 then 2620 SL 2810

Guar gum April NCDEX: Sell at 7800-7840 TP 7500 then 7350 SL 8050

Review: Guar seed and guar gum futures further declined by 6.3% during the last week in comparison to penultimate week. After the prices opened negative at the lower circuit levels during the first day of the week it recovered during the mid week but the positive trend did not sustain. Towards the closing of the week the prices recovered slightly. The spot activities are very sluggish as the arrivals have ended across the spot markets. The off lower was also lower during the last week which pressurized the spot prices and in turn futures also. The stockists were not active as the arrivals ended while the guar gum millers had enough stocks of guar. Around 80% of the arrivals have been crushed to meet the export consignments of the current financial year. Absence of any fresh demand from importing countries also kept the market down side. The ratio of the guar seed and guar gum hovered in the range of 2.83 during the last week.

Guar Seed

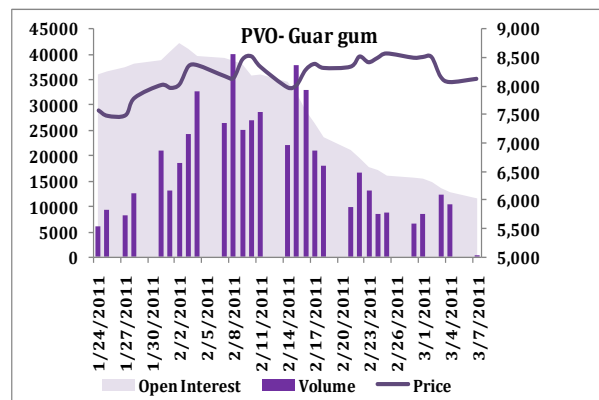
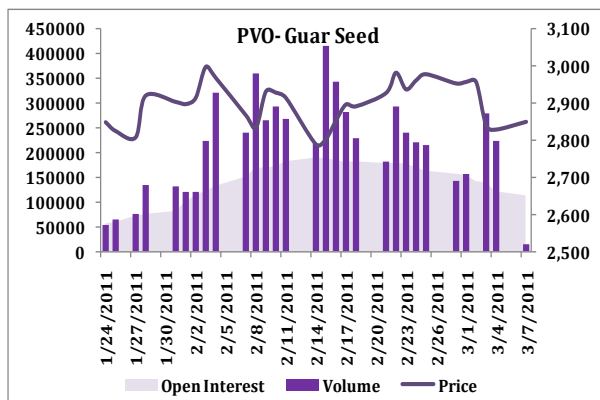
NCDEX (/Quintal)									
Contract	Open	High	Low	Close	% Change	Volume	% Change	Open Interest	% Change
Mar-11	2826.00	2849.00	2816.00	2849.00	-5.16%	15070	-29.96%	108080	-25.48%
Apr-11	2890.00	2915.00	2879.00	2914.00	0.66%	14340	-97.51%	117680	25.34%
May-11	2947.00	2961.00	2943.00	2960.00	0.48%	270	-98.38%	7070	113.60%

Guar Gum

NCDEX (/Quintal)									
Contract	Open	High	Low	Close	% Change	Volume	% Change	Open Interest	% Change
Mar-11	8146.00	8146.00	8046.00	8120.00	0.64%	445	-98.95%	10840	-28.31%
Apr-11	8340.00	8340.00	8240.00	8324.00	0.67%	950	-98.78%	34940	-11.69%
May-11	8472.00	8503.00	8460.00	8503.00	0.41%	20	-99.86%	10940	126.97%

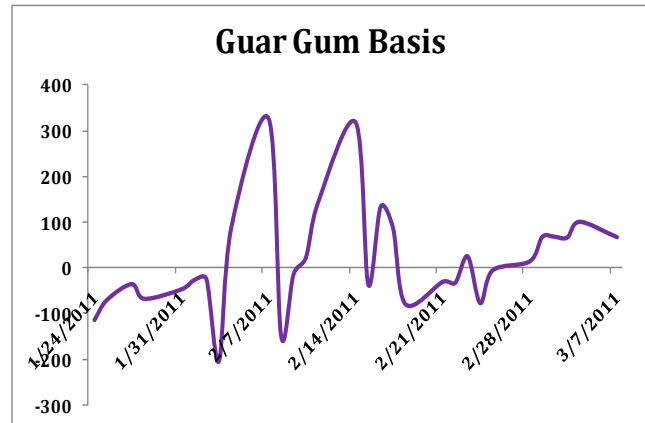
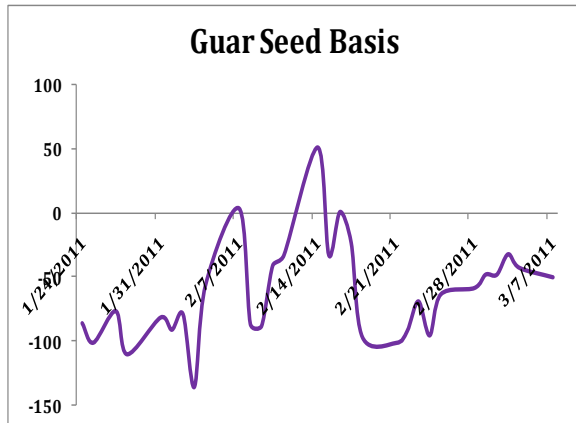
Spread Matrix				
	Spot	Mar-11	Apr-11	May-11
Spot	0			
Mar-11	-50.05	0.00		
Apr-11	-115.05	65.00	0.00	
May-11	-161.05	111.00	46.00	0.00

Spread Matrix				
	Spot	Apr-11	May-11	Jan-00
Spot	0			
Mar-11	66.80	0.00		
Apr-11	-137.20	204.00	0.00	
May-11	-316.20	383.00	383.00	0.00



The derivative analysis (decrease in prices, increase in volume and open interest) is an indication that the prices might turn bearish in the week ahead.

*Basis= Futures- Spot

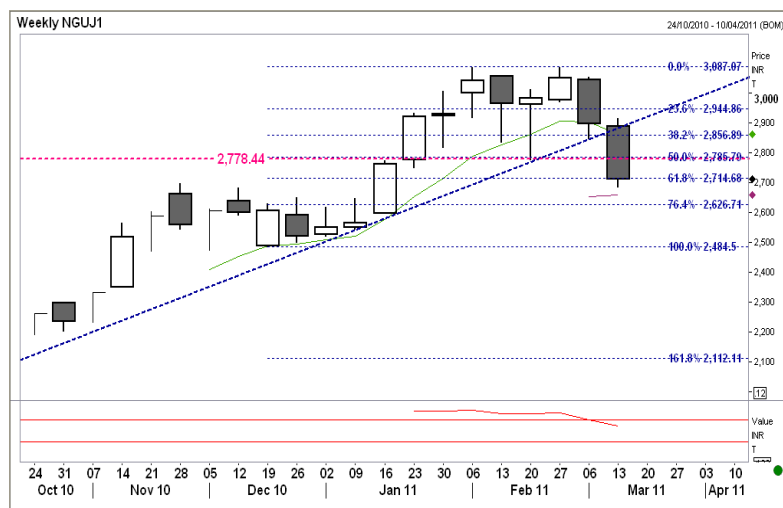


The basis of the guar gum has resumed the positive note which is further expected to continue in the week ahead and the guar seed basis is expected to track gum and turn positive.

Outlook: Guar seed and guar gum is expected to decline in the coming week. The rolls over of the contracts are expected to keep the pressure on the prices intact. The deliveries of guar gum are likely to be around 1159 tons compared to 810 tons during February. The predictions of normal and above normal monsoon for the current year might weigh on the market sentiments. The buying across the spot markets is almost nil. The requirement of the guar seed to meet the gum exports are met out which leaves no room for fresh demand for guar seed in the spot markets. Excessive production of churi and korma might keep up the pressure on the prices. Till the expiry of the March contract the demand is expected to be subdued which is anticipated to have adverse effect on the prices.

Technical Analysis:

Our view on Guar seed April futures were exactly went inline with the expectation. Initially it went up after making a weekly high of 2915 it started declining and settled lower at 2914 levels. Market has breached the trend line support near 2775 levels and closing below the same suggests further downside movements. Formation of **"Double top"** pattern is signaling bearish outlook for short term. Possible target price of the pattern is till 2500 levels. A mild higher correction is expected before resuming its downtrend. As per fibonacci principle immediate support is seen at 2714 levels. A daily closing may push the prices till 2650 then 2620 levels. RSI (14) weekly is at 0.59 levels and showing a lower potential. Overall, analysis suggests downside movements for this week and recommends selling near resistance levels.



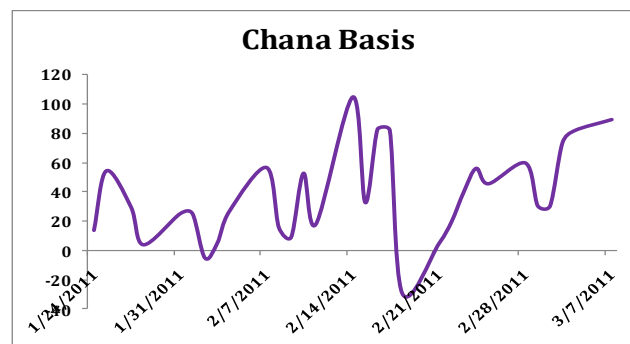
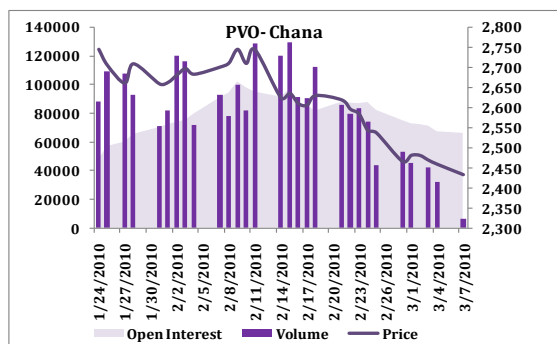
CHANA

Recommendation: Chana NCDEX April: Sell at 2520-2545 TP 2470 then 2440 SL 2585

Chana futures recovered noticeably during the last week in comparison to the previous week. The correction in the prices during the opening created good buying point for the week. After the prices gained as much as 0.8%; towards the closing of the week roll over of contracts erased the gains. The arrivals across the spot markets increased which kept the spot prices stable through out the week. Stockists were also actively buying across the spot markets which helped the chana futures to recover. The short selling at futures towards the closing increased as the stocks for delivery during the March month is higher at 17245 tons. Arrivals across Indore spot markets hovered around 4000-5000 bags in a week. The spot prices also were reported steady around ₹2500/quintal. The arrivals from Rajasthan were also reported in small quantities in Delhi market.

Chana

NCDEX (₹/Quintal)									
Contract	Open	High	Low	Close	% Change	Volume	% Change	Open Interest	% Change
Mar-11	2423.00	2437.00	2418.00	2434.00	-2.96%	6170	-52.51%	64860	-13.23%
Apr-11	2534.00	2546.00	2528.00	2542.00	-3.09%	9510	-16.67%	84510	-3.66%
May-11	2600.00	2606.00	2594.00	2603.00	-3.23%	4540	-10.14%	49130	-0.39%



Derivatives analysis (decrease in price, open interest and volume is increasing) is indicating the bullish trend in prices is intact for the week ahead. The basis indicates that difference is positive in the last week which is anticipated to increase for the week ahead as the futures demand for the commodity is higher.

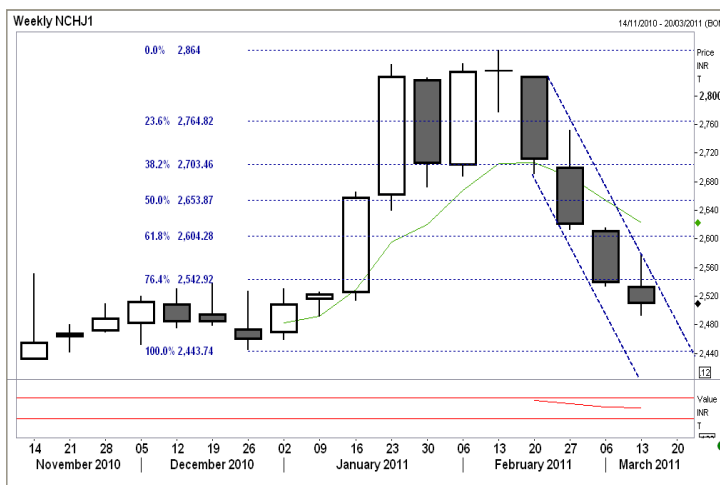
Outlook

The bearish trend in chana futures might be witnessed during opening days in the coming week. The recovery in the prices can be seen due to short covering on the previous decline and supported by the stockist buying across the spot markets. Higher deliveries of around 20000 tons towards the expiry of the March contract are expected to keep the pressure on the prices. The arrivals are anticipated increase further across Indore and Delhi spot markets. Harvesting across Rajasthan is likely to gain momentum in the days to come. The impact of the increasing arrivals might keep the pressure on the prices in tact. However the stockist and the millers are buying at the current spot prices to meet their requirements as the quality of the fresh crop arrivals are good. The demand is expected to gradually increase in the near term. The exemption of 2% sales taxes levied on chana in Rajasthan might

Spread Matrix				
	Spot	Mar-11	Apr-11	May-11
Spot	0			
Mar-11	89.25	0.00		
Apr-11	-18.75	108.00	0.00	
May-11	-79.75	169.00	61.00	0.00

attract the buyers despite of the increase in arrivals in the days to come. Thus after initial down side the prices are expected to recover towards the closing of the week.

Technical Analysis: We were having a bearish view in last week on Chana April futures and market was inline with our expectation. Initially it took a bounce back after witnessing a weekly high of 2578 it started declining and settled lower at 2542 levels. Market took a lower correction till 76.4% (2542) retracement of the range 2864-2443 and currently it is trading below the same suggests further downside movements. Immediate support is seen at 2490 levels. Convincing break below the same it is expected to drop till 2440 levels. Moving average principle also suggesting downside movements as the market is hovering below the weekly EMA's (8, 21 & 34). Momentum Indicator RSI (14) weekly is at 0.50 levels and showing a lower potential. Overall, we expect prices to remain lower and recommend selling if market sustains well below the 2542 levels.



Note: Only on breach and sustained trade above 2580 is possible to move higher.

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