



23-28 May 2011

## Guar Complex

**Recommendation: Guar seed June NCDEX: Sell at 3300 TP 3180 SL 3352**

**Guar gum June NCDEX: Sell at 10450 TP 10000 SL 10600**

**Review:** Guar seed and gum futures continued the up trend during the last week while the gains were limited compared to the penultimate week. The demand prevailing for the guar gum kept the buyers across the spot market active. The guar gum millers were actively buying seed in anticipation of demand for the gum to consistently increase in the near term. The concern about shift in acreage from guar to cotton in irrigated guar producing belt also affected the market sentiments and supported the buying activity across the futures platform. The spot prices also increased drastically by ₹.100/quintal during the last week which lent support for the futures prices also to gain. The prices and volume increased during the last week while open interest declined in comparison to the penultimate week.

### Guar Seed

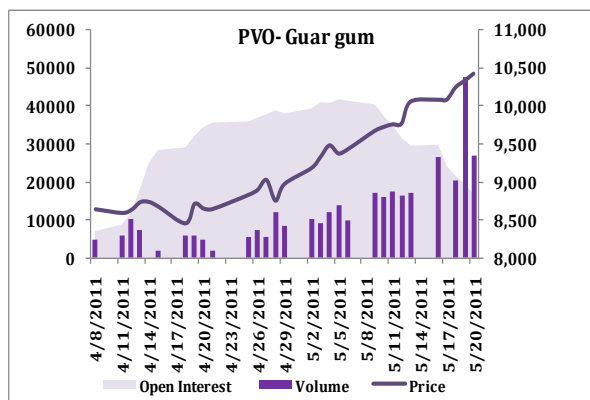
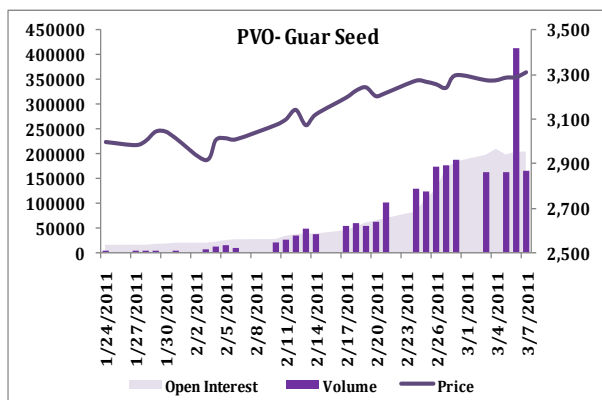
NCDEX (₹/Quintal)									
Contract	Open	High	Low	Close	% Change	Volume	% Change	Open Interest	% Change
Jun-11	3284.00	3332.00	3189.00	3312.00	0.88%	1001280	11.07%	198460	-2.98%
Jul-11	3340.00	3390.00	3247.00	3369.00	0.99%	99150	346.42%	40520	214.35%
Aug-11	3396.00	3425.00	3281.00	3414.00	1.34%	4360	139.56%	2880	110.22%

### Guar Gum

NCDEX (Rs/Quintal)									
Contract	Open	High	Low	Close	% Change	Volume	% Change	Open Interest	% Change
Jun-11	10165.00	10538.00	9929.00	10389.00	2.83%	129230	30.41%	16005	-46.04%
Jul-11	10380.00	10769.00	10171.00	10615.00	2.88%	47285	70.21%	42515	66.69%
Aug-11	10500.00	10916.00	10301.00	10781.00	2.97%	1200	140.00%	695	69.51%

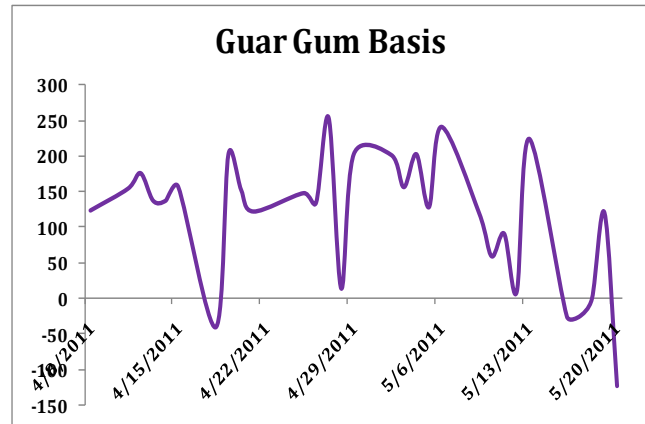
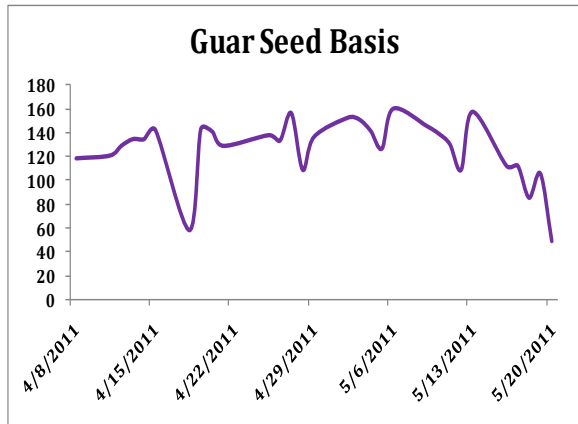
Spread Matrix				
	Spot	Jun-11	Jul-11	Aug-11
Spot	0			
Jun-11	-49.75	0.00		
Jul-11	-106.75	57.00	0.00	
Aug-11	-151.75	102.00	45.00	0.00

Spread Matrix				
	Spot	Jul-11	Aug-11	Jan-00
Spot	0			
Jun-11	149.75	0.00		
Jul-11	-76.25	226.00	0.00	
Aug-11	-242.25	392.00	392.00	0.00



The increase in the prices and volume while the open interest is declining at the higher prices levels indicates the trend might continue and it is a sign of significant bottom. The decrease in the basis indicates that the future demand for the commodity is lower. This is supported by the fundamental factor that the sowing season for guar starts from June which is the lean season for the commodity where in the export demand might also be lower.

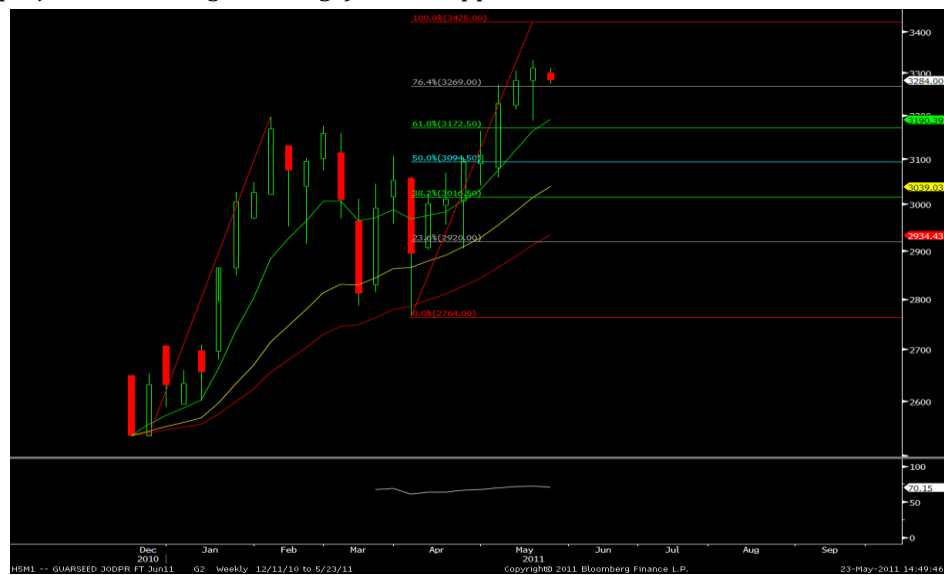
\*Basis= Futures- Spot



**Outlook:** The guar seed and gum futures are expected to reverse the trend in the week ahead. The prices are expected to trade bearish on back of the on set of monsoon. The monsoon on set might be around May 24-27<sup>th</sup> earlier than the May 31<sup>st</sup>. The earlier onset might affect the market sentiments and lead to sell off at the futures. The stockists across the spot markets are also expected to liquidate the stocks on back of the timely onset of the monsoon. The selling pressure can also be seen across the spot markets exerting pressure on the spot prices. The futures are bound to take cues from the spot and decline across the spot markets. The life time high prices which is much higher than the market participants expectations might lead to liquidation of the positions. On the uptrend in the past seven weeks we expect some correction in short term. The hurricane season to start of across U.S in June will result in lower production of crude oil. This lower production continues till the month of November which might result in guar gum which is used in crude oil extraction.

**Technical Analysis:** Guar seed June contract in NCDEX platform traded as per our expectation last week and came down at 3189. However is recovered later on and settled higher at 3312. In the weekly chart a hammer candle stick has been witnessed indicating trend may remain indecisive for the coming week. Crucial resistance is seen at 3333 if market sustain above then it may trend up till the next resistance level of 3425 (100% projection of the range 2536-3176-3016, as per Fibonacci projection principle). Immediate support level is at 3249 (71.6% projection of the given range). Next support level is at 3180-60 which is 23.6% retracement of the range 2764-3315 as per Fibonacci principle and previous swing low. Market is trading far above the short and medium term moving averages signaling a slight correction in the prices. The technical indicator RSI (14) is also trading at 0.71 suggesting over bought mode and short term correction is due in the market. Overall we

expect guar seed prices to remain limited on the higher side and suggesting selling for the coming week.



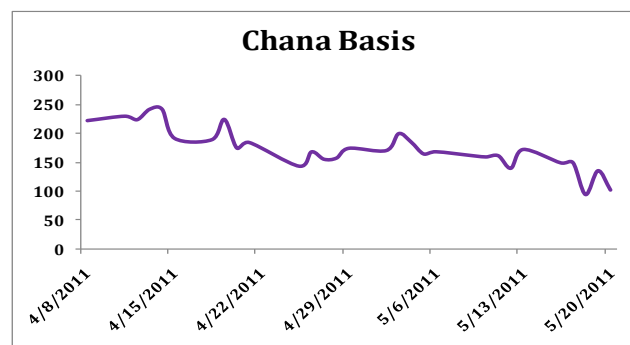
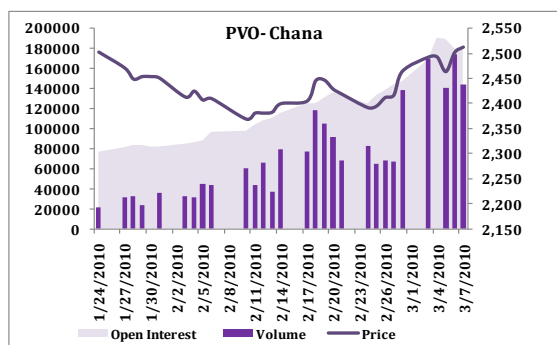
## CHANA

**Recommendation: Chana June NCDEX: Buy at 2480-83 TP 2550 SL 2450**

**Review:** Chana futures extended the gains of the penultimate week. The prices of chana at the futures gained continuously for three weeks. The prices corrected in the mid week while the trend was upside and ended the week in green. The demand across the spot markets increased gradually which helped the prices to gain during the week. The spot prices increased by Rs.80/quintal during the last week at the bench mark Delhi spot market. The arrivals also declined to as low as 40 trucks during the week amidst of good demand which supported the prices to move northwards. The weather conditions affecting the sowing activities across the Canada and Australia are affecting the Indian market sentiments and kept the prices in upswing. Buyers are mainly millers and the retailers who are buying ahead of the festive season to meet their requirements.

Chana

NCDEX (₹/Quintal)									
Contract	Open	High	Low	Close	% Change	Volume	% Change	Open Interest	% Change
Jun-11	2455.00	2531.00	2445.00	2525.00	2.89%	712970	46.72%	183150	7.67%
Jul-11	2525.00	2608.00	2517.00	2601.00	3.05%	290070	165.22%	135350	64.64%
Aug-11	2585.00	2672.00	2580.00	2663.00	3.06%	25280	156.91%	19200	27.15%

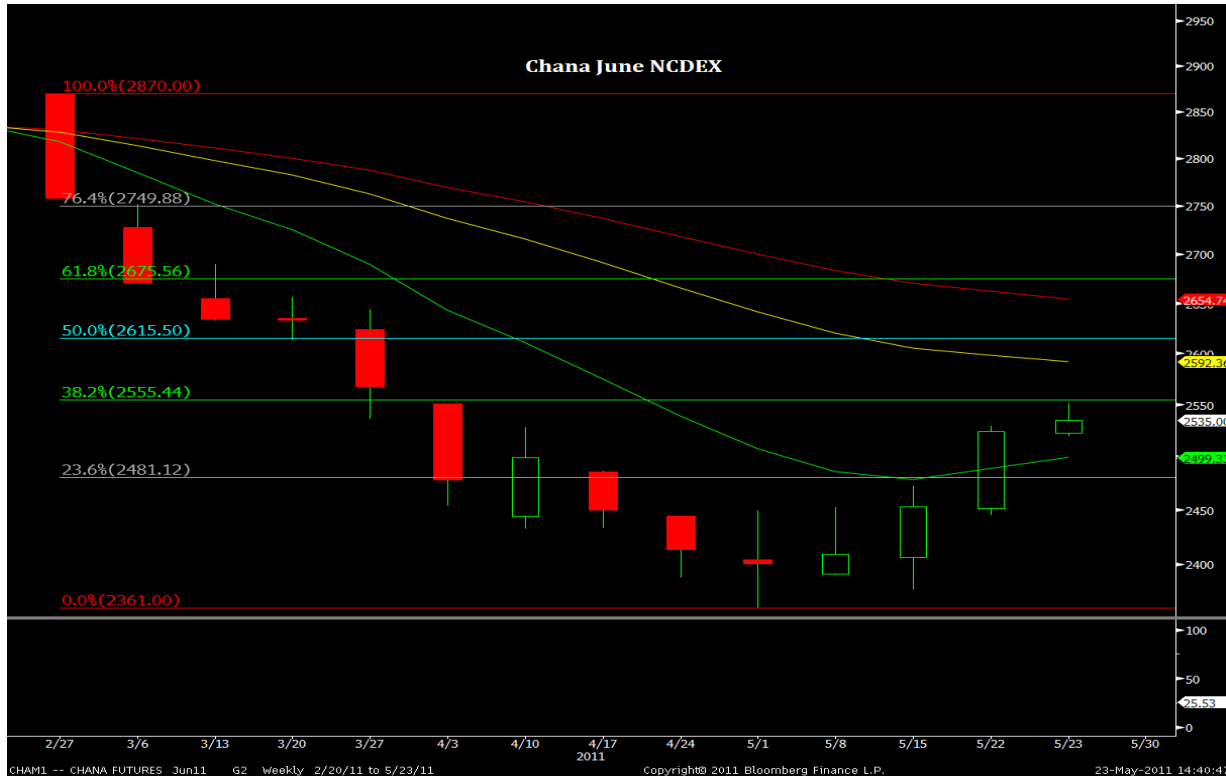


The derivative analysis (increase in the price volume and open interest) is indicating that the prices might remain bullish in the week ahead. The basis is positive as the demand has started picking up during the current month.

**Outlook:** Chana futures are projected to gain further in the coming week. The delayed sowing concerns in Canada and Australia is affecting the market sentiments. The snow melting across Canada has delayed the sowing activities and affecting the already sown crop. In Australia, the drought conditions might delay the sowing activities which has to start off from next month. The market sentiments are influenced by all these factors that might affect the final production of chana in Australia and Canada. Such draw back with Canada and Australia might leave lesser opportunities for the indian imports adding up to the price rise. In the domestic markets the prices are finding support from the increasing demand by the millers and the retailers. The shrinking arrivals are supporting the uptrend amidst of the growing demand.

**Technical Analysis:** Chana June contract in NCDEX platform traded higher for this week and settled at 2530. A long white candle stick is suggesting that the prices may continue to remain higher for the coming week also. Prices sustained and settled above short term exponential moving average (EMA-8) indicating a bounce back in the prices. However, on the higher side there is a crucial resistance at 2555 (that is 38.2%

natural retracement of the range 2361-2870 as per Fibonacci principle). A beautiful round shaped recovery is witnessed in the market indicating that this trend reversal may last long in the Chana chart. The technical indicator RSI (14) is trading at 0.55 signaling upside potentials for commodity. Overall we expect Chana prices to remain bullish for the coming week also and recommend buying in Chana at support levels.



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