

7<sup>th</sup> November, 2011

## Guar Complex (Bearish)

**Recommendation: Guar seed November NCDEX: Sell below 4400 TP 4300/ 4240 SL above 4500**

**Guar gum November NCDEX: Sell at 14060-14100 TP 13500 SL 14340**

**Review:** Guar seed and gum futures traded positive during last week. Removal of special margin imposed on long side of all running contracts of guar seed and gum supported buying. Major physical markets had been closed during earlier week due to Diwali. However, as the spot market activities resumed during last week fresh arrivals might gained momentum. Arrivals were around 70,000 bags (1 bag = 1 quintal) which had build pressure over the prices thereby limiting the gains. Sluggish demand for gum across the markets owing to concerns regarding decline in demand from US and European buyers also limited the gains. Prices across the physical markets had declined from Rs.4700 to Rs.4650 per quintal.

### Guar Seed

| NCDEX (₹/Quintal) |         |         |         |         |          |        |          |               |          |
|-------------------|---------|---------|---------|---------|----------|--------|----------|---------------|----------|
| Contract          | Open    | High    | Low     | Close   | % Change | Volume | % Change | Open Interest | % Change |
| Nov-11            | 4560.00 | 4598.00 | 4407.00 | 4463.00 | -1.80%   | 829200 | 21.45%   | 73080         | 4.04%    |
| Dec-11            | 4524.00 | 4539.00 | 4357.00 | 4403.00 | -1.70%   | 971820 | 62.22%   | 168360        | 50.73%   |
| Jan-12            | 4566.00 | 4626.00 | 4452.00 | 4491.00 | -1.45%   | 167570 | 107.85%  | 27520         | 180.82%  |

### Guar Gum

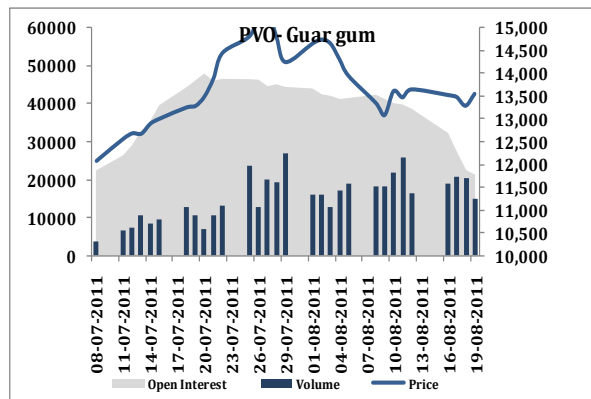
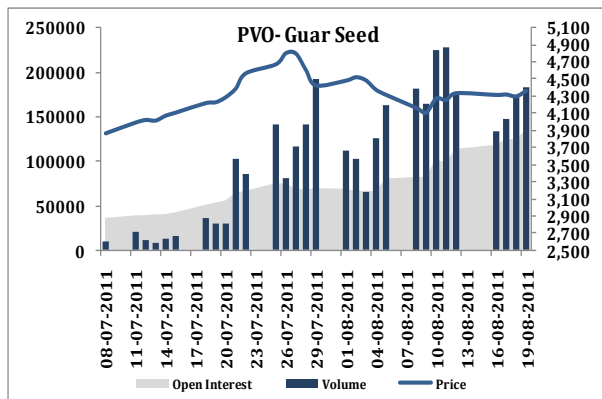
| NCDEX (Rs/Quintal) |          |          |          |          |          |        |          |               |          |
|--------------------|----------|----------|----------|----------|----------|--------|----------|---------------|----------|
| Contract           | Open     | High     | Low      | Close    | % Change | Volume | % Change | Open Interest | % Change |
| Nov-11             | 14145.00 | 14220.00 | 13640.00 | 13845.00 | -1.54%   | 88000  | 27.40%   | 28300         | -20.68%  |
| Dec-11             | 14299.00 | 14390.00 | 13705.00 | 14000.00 | -1.57%   | 72295  | 69.69%   | 15365         | 1.62%    |
| Jan-12             | 14449.00 | 14505.00 | 13973.00 | 14190.00 | -1.49%   | 8675   | 27.95%   | 3115          | 253.98%  |

### Spread Matrix

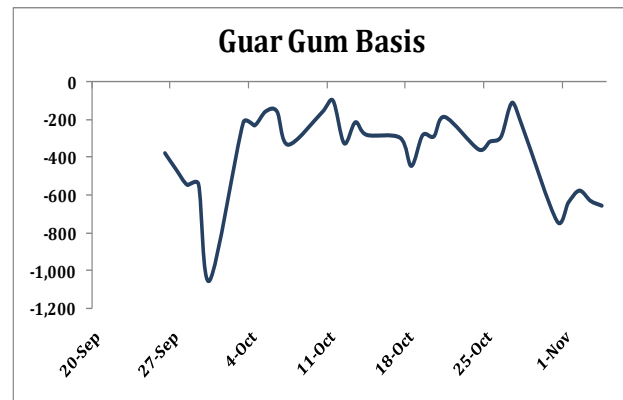
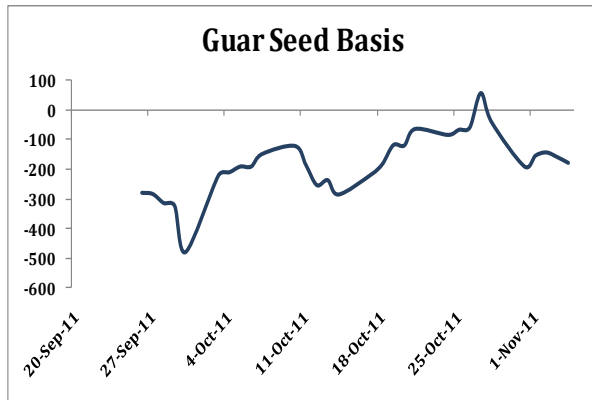
|        | Spot   | Nov-11 | Dec-11 | Jan-12 |
|--------|--------|--------|--------|--------|
| Spot   | 0      |        |        |        |
| Nov-11 | 274.50 | 0.00   |        |        |
| Dec-11 | 334.50 | -60.00 | 0.00   |        |
| Jan-12 | 246.50 | 28.00  | 88.00  | 0.00   |

### Spread Matrix

|        | Spot   | Nov-11 | Dec-11 | Jan-12 |
|--------|--------|--------|--------|--------|
| Spot   | 0      |        |        |        |
| Nov-11 | 965.00 | 0.00   |        |        |
| Dec-11 | 810.00 | 155.00 | 0.00   |        |
| Jan-12 | 620.00 | 345.00 | 345.00 | 0.00   |



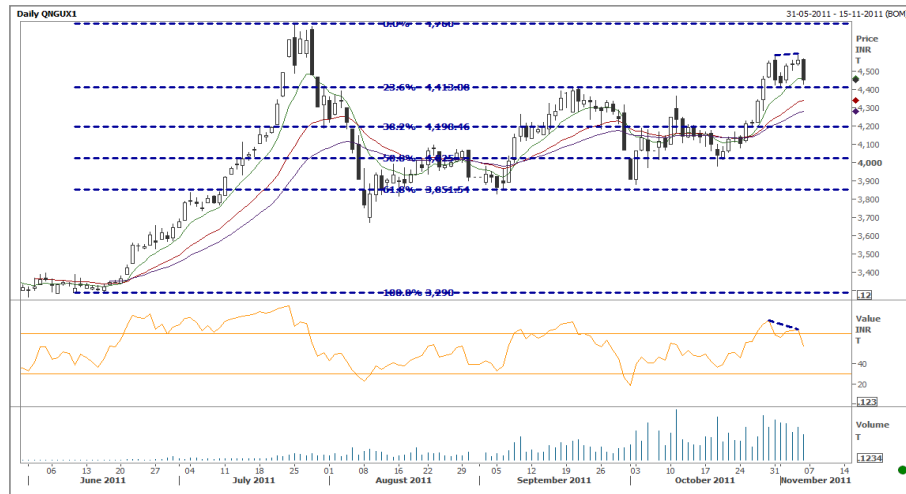
\*Basis= Futures- Spot



**Outlook:** Guar seed and gum futures are expected to trade negative during the week. Arrivals in Jodhpur physical markets are hovering around 60,000-70,000 bags. The arrivals are expected to increase to over 1 lakh bags (1 bag = 100 kg) during this week. Fresh arrivals have started in Bikaner physical markets though in lower quantity therefore are likely to gain momentum in coming days. Therefore the arrival pressure is likely to build over the prices. Sluggish demand for guar gum across the markets due to anticipated decline in demand for gum from US and European buyers might continue to bother the traders' sentiments thereby having a negative impact over the prices. Therefore, overall fundamentals are still bearish for guar seed and gum futures. According to derivative analysis, decline in price while increase in volume and open interest indicates aggressive short selling by traders thereby supporting bearish trend.

**Technical Analysis:** The week has gone by making a high of 4598 then low 4407 and settled at 4559 levels.

In weekly price chart closing of the Doji candle is suggesting indecisive momentum in seed prices. Technical tool RSI-14 is witnessing formation of negative divergence in daily chart which is indicating smart correction. Prices are also trading near to upper Bollinger band resistances levels. Based on these technical tools we may expect correction in seed



prices in coming session. Previous candle high may act as an initial resistance 4598 on sustained above is likely to test 4655 levels which are weekly Bollinger band resistance level. Fibonacci retracement states that prices are witnessing support at 4406 which is 23.6% of the range 4793-3295 levels and also this level is matching with daily 8 EMA level. On breach and sustained trade below is likely to test next support level of 4193 level which is medium term moving average support levels and also Fibonacci retracement of 38.2% of the above mentioned range. Overall expecting prices to trade limited down side forming session recommended to sell at resistance levels.

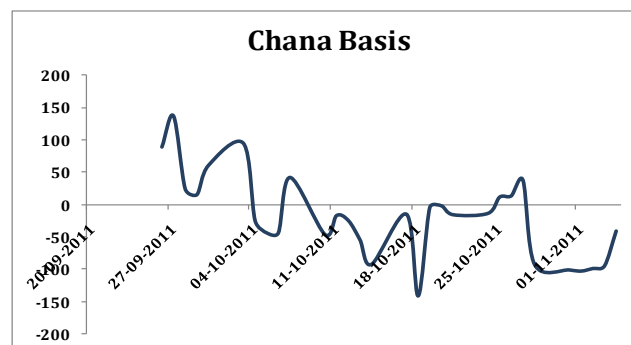
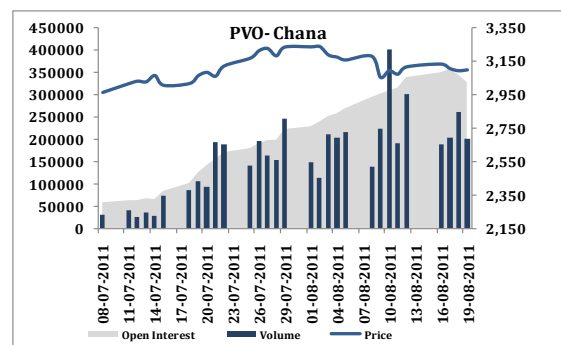
## CHANA (Bullish)

**Recommendation: Chana Nov NCDEX: Buy at 3365-3380 TP 3600 SL 3280**

**Review:** Chana futures extended its uptrend during last week. Recent hike in Minimum Support Prices (MSP) of chana to Rs.2800 per quintal compared to last year's Rs.2100 per quintal had a positive impact over the prices. Regular demand for chana across the physical markets supported the prices to trade higher. Rising concerns regarding supply of due to lean season of arrivals and declining stock position rendered support to the rise in prices. Sowing progress had also been weak in Andhra Pradesh as the area under chana as on 2<sup>nd</sup> November, 2011 had declined to 1.69 lakh ha against 3.26 lakh ha during last year same period. Targeted area under chana in Rajasthan is also lower this year to 17 lakh ha against previous year's 17.83 lakh ha. Therefore, weak sowing progress and lower acreage projections raised concerns among the traders which supported the gains. However, sowing in around 50 per cent of projected area had been completed in Rajasthan. Prices across the physical markets had been stable at Rs.3500 per quintal.

Chana

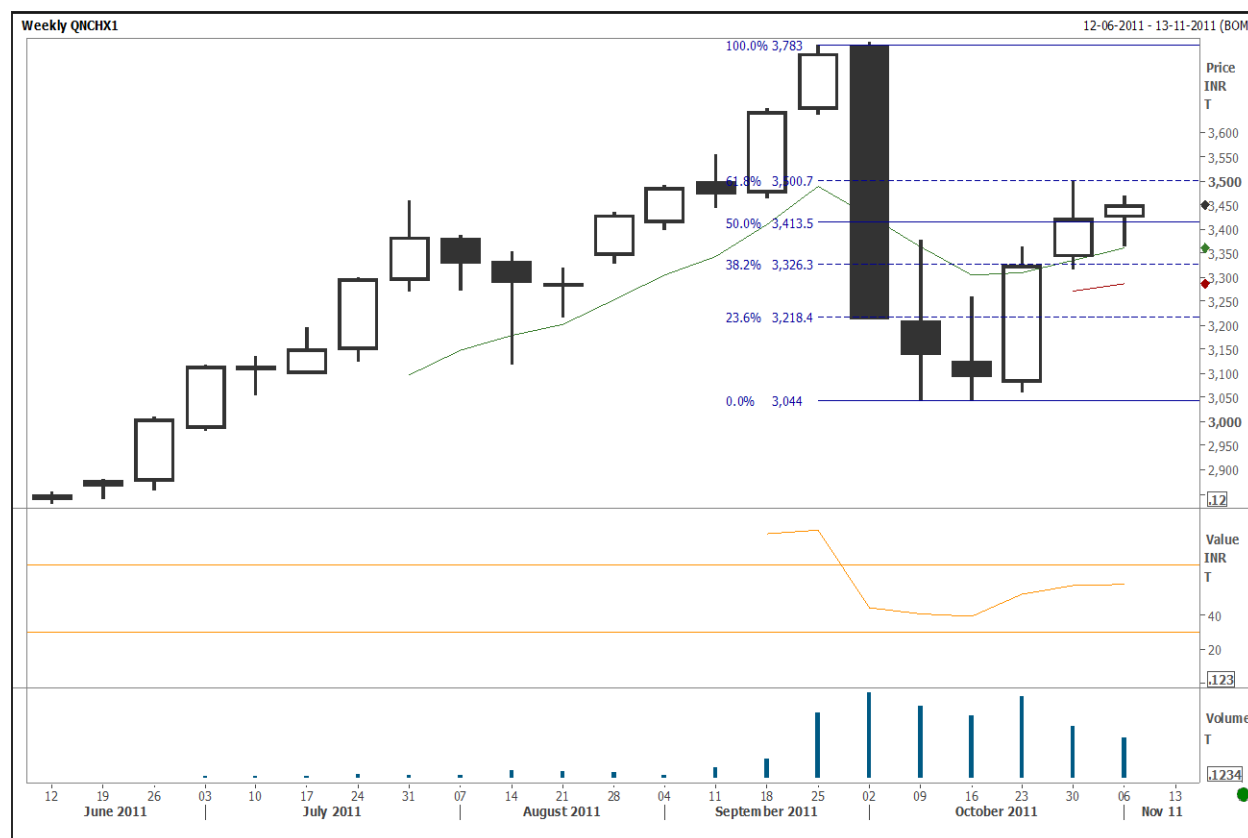
| Contract | NCDEX (₹/Quintal) |         |         |         |          |        |          |               |          |
|----------|-------------------|---------|---------|---------|----------|--------|----------|---------------|----------|
|          | Open              | High    | Low     | Close   | % Change | Volume | % Change | Open Interest | % Change |
| Nov-11   | 3425.00           | 3488.00 | 3365.00 | 3484.00 | 1.81%    | 569180 | -18.91%  | 121390        | -14.07%  |
| Dec-11   | 3525.00           | 3595.00 | 3468.00 | 3592.00 | 1.96%    | 699680 | 48.80%   | 137430        | 12.97%   |
| Jan-12   | 3600.00           | 3685.00 | 3560.00 | 3682.00 | 2.25%    | 150660 | 106.36%  | 50340         | 0.92%    |



**Outlook:** Chana futures are expected to trade positive during the week. Weak sowing progress of chana in Karnataka and Andhra Pradesh regions and lower acreage projections in Rajasthan is likely to have a positive impact over market sentiments. According to Rajasthan Agricultural Department, targeted area under chana in Rajasthan is lower this year to 17 lakh ha against previous year's 17.83 lakh ha. Sowing progress in Karnataka is weak as the acreage under chana during last week had been 5.36 lakh ha compared to 6.07 lakh ha during last year same period. Area under chana in Andhra Pradesh as on 2<sup>nd</sup> November, 2011 had declined to 1.69 lakh ha against 3.26 lakh ha during last year same period. On contrary, in Madhya Pradesh (major growing region for chana) the area is expected to rise from 31.13 lakh ha to 32.90 lakh ha during this crop year. Therefore, it might limit the gains. Regular demand accompanied by supply concerns is likely to support the gains. Regular decline in stock position might further raise supply concerns. Recent hike in Minimum Support Price (MSP) of chana by 33.34 per cent to Rs.2800 per quintal might continue to render support to the chana prices. Overall fundamentals are suggesting an uptrend for chana prices. However, physical markets are likely to remain sluggish as the NCDEX session will remain closed due to festive holidays during the week. According to derivative analysis, increase in price, volume while decline in open interest indicates though traders are trading from both sides they are covering their positions by the end of the day. Therefore, a volatile trend is likely to be witnessed in prices during the week.



**Technical Analysis:** The week has gone by making a high of 3468 then low of 3365 and settled higher side at 3468 levels. Closing of the white candle stick is suggesting limited higher side momentum for coming week. Prices are trading above the short term and long term moving averages 8 Weekly EMA level this may act as an initial support level 3365. On beach and sustained trade below is likely to test 3285 level which is 21 Weekly EMA level. Prices are still trading in between Fibonacci retracement levels of 61.8%-38.2% which is 3326-3600 levels for coming week prices may trade in this range. Principle of Fibonacci retracement states that prices are witnessing resistance at 3600 levels and also this level is matching with recent high of chana prices Incase, prices breach and sustained above is likely to trade higher side for short term. Momentum indicator RSI-14 is treading at 0.582 is supporting prices to trade higher side. Overall going above technical analysis expecting prices to trade higher side recommending buying support levels



## Maize (Sideways)

**Recommendation: Maize November NCDEX: Trading range 1060-1130**

**Review:** Maize futures traded positive during last week. Good demand from the stockiest side in Delhi market supported the prices to trade higher. Traders also took advantage of earlier losses and went for buying at lower prices levels supporting the gains. Major physical markets had been closed during earlier week due to Diwali. However, physical market activities resumed during last week. Arrivals had remained range bound as the rains in Davangere regions restricted the arrivals hitting the markets. Therefore, spot market activities remained sluggish in both Nizamabad and Davangere physical markets. Prices across the physical markets had gained from Rs.1100 to Rs. 1110 per quintal.

### Maize Futures

| Contract | NCDEX ( /Quintal) |         |         |         |          |        |          |               |          |
|----------|-------------------|---------|---------|---------|----------|--------|----------|---------------|----------|
|          | Open              | High    | Low     | Close   | % Change | Volume | % Change | Open Interest | % Change |
| Nov-11   | 1103.00           | 1118.00 | 1086.50 | 1105.00 | 0.05%    | 13910  | 127.66%  | 10410         | 10.16%   |
| Dec-11   | 1128.00           | 1142.00 | 1105.00 | 1126.50 | 0.04%    | 6810   | 171.31%  | 5600          | 20.69%   |
| Jan-12   | 1155.00           | 1170.00 | 1135.00 | 1158.00 | 0.92%    | 1250   | 35.87%   | 1130          | 14.14%   |

| Spread Matrix |        |        |        |        |
|---------------|--------|--------|--------|--------|
|               | Spot   | Dec-11 | Jan-12 | Jan-00 |
| Spot          | 0      |        |        |        |
| Nov-11        | 104.00 | 0.00   |        |        |
| Dec-11        | 82.50  | 21.50  | 0.00   |        |
| Jan-12        | 51.00  | 53.00  | 31.50  | 0.00   |

**Outlook:** Maize futures are expected to trade positive during the week. Stockiest demand for maize in Delhi market is likely to support the prices. Activities in major markets are likely to remain sluggish as the NCDEX session will remain closed due to festive holidays during the week. Therefore, there might be a decline in supplies across the markets which might be supportive for the prices to trade higher. However, gains could be limited as weak demand for maize in Davangere and Nizamabad markets also might influence the prices. According to derivative analysis, increase in price, volume and open interest indicates traders' confidence over the commodity and their willingness to open and hold long positions.

## Wheat (Bullish)

**Recommendation: Wheat November NCDEX: Buy in the range of 1118-1125 TP 1164 SL 1187**

**Review:** Wheat futures traded positive during last week breaking its down streak of five week. Regular demand for wheat across the market supported prices to trade upside. Recent hike in Minimum Support Price (MSP) of wheat by 14.7 per cent to Rs.1285 per quintal had a positive impact over the prices. However, sufficient stock levels along with increasing supplies under Open Market Sale Scheme of sale of 9 lakh tons of wheat during the October-March which had built pressure limited the gains. Prices across the physical markets gained from Rs.1160 to Rs.1170 per quintal.

Wheat

| Contract | NCDEX (Rs/Quintal) |         |         |         |          |        |          |               |          |
|----------|--------------------|---------|---------|---------|----------|--------|----------|---------------|----------|
|          | Open               | High    | Low     | Close   | % Change | Volume | % Change | Open Interest | % Change |
| Nov-11   | 1085.60            | 1151.20 | 1085.60 | 1151.20 | 5.34%    | 51550  | 85.23%   | 32490         | -1.78%   |
| Dec-11   | 1128.00            | 1205.00 | 1128.00 | 1202.00 | 6.18%    | 35440  | 85.94%   | 23540         | 2.84%    |
| Jan-12   | 1165.00            | 1228.00 | 1157.00 | 1228.00 | 5.59%    | 7950   | 14.39%   | 4680          | 28.57%   |

| Spread Matrix |        |        |        |        |
|---------------|--------|--------|--------|--------|
|               | Spot   | Nov-11 | Dec-11 | Jan-12 |
| Spot          | 0      |        |        |        |
| Nov-11        | 18.30  | 0.00   |        |        |
| Dec-11        | -32.50 | 50.80  | 0.00   |        |
| Jan-12        | -58.50 | 76.80  | 26.00  | 0.00   |

**Outlook:** Wheat futures are expected to trade positive during the week. Recent hike in Minimum Support Prices (MSP) of wheat by around 15 per cent to Rs.1285 per quintal is likely to support the prices to trade higher. Targeted acreage projection in Rajasthan for wheat is lower to 28 lakh ha against previous crop year's 30.36 lakh ha. International wheat prices are also trading higher. Recent correlation between international prices and domestic prices of wheat has been 0.58 which is though low is creating an impact over domestic prices. Therefore, its positive impact is likely to be seen over the prices during the coming week. Produce under Open Market Sale Scheme of sale of 9 lakh tons includes carry-forward stocks from the marketing year of 2008-09 and 2009-10. The demand for last year's crop is more in comparison to these supplies. Therefore, these sentiments across the markets might be supportive for the prices to remain upside during the week. Farmers' Welfare and Agriculture Development Department (Madhya Pradesh) has projected the sowing acreage of wheat to increase from 45.72 lakh ha to 49 lakh ha during this crop year which might be have an impact over the prices limiting the gains. According to derivative analysis, increase in price, volume while decline in open interest indicates though traders are trading from both sides they are covering their positions by the end of the day. Therefore, a volatile trend is likely to be witnessed in prices during the week.



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