

GUAR DAILY

July 26, 2006

GUAR

SPOT MARKETS:

At the physical markets guar witnessed a highly volatile trade on Tuesday. The market opened firm and prices were quoted much higher on talks of inadequate rainfall for the past couple of days. However, by mid-session, the market retreated after IMD's forecast of increase in rainfall activity over Rajasthan during next 3-4 days. Moreover, report of some rainfall in parts of guar producing area during the afternoon session added to the bearish trend. The prices of both the guar seed as well as guar gum were quoted mostly unchanged as compared to Monday after paring morning advances. Rainfall in Rajasthan in general and West Rajasthan in particular, would put a bearish impact on guar prices and vice-versa.

FUTURES MARKETS:

Guar futures at the NCDEX opened much higher than previous settle and traded upwards thereafter. Increased speculative buying interest has supported the futures through mid-session. However, following the IMD's forecast of increase in rainfall activity over Rajasthan during next 3-4 days, the market slide into negative territory. Guar Seed August contract traded in the range of 1996-2084, while the most-active September contract fluctuated in the range of 2035-2136. Guar Gum August contact traded in the range of 5130-5321, while the most-active September contract fluctuated in the range of 5210-5405.

PRICE DRIVERS:

Bearish:

1. Increase in rainfall activity is likely over Rajasthan during next 3-4 days
2. Reports of some rainfall in parts of guar producing areas

Bullish:

3. Lower carry forward stock
4. Long range weather forecast suggests below normal monsoon this year

WEATHER IMPACT:

Increase in rainfall activity is likely over Rajasthan during next 3-4 days. Rainfall at present would help in the sowing of guar.

GUAR PRICES AT MAJOR MARKETS IN RAJASTHAN:

Commodity	Centres	25.07.06	24.07.06	Change
Guar Seed	Bikaner	1930	1930-1935	-
	Jodhpur	2060	2060	-
	Nokha	1890-1900	1900	-
	Sriganganagar	1940	1940	-
Guar Gum	Jodhpur	5304	5304	-

TECHNICALS:

Candlestick pattern indicates bearish trend reversal. %K-line along with %D-line moving downwards in normal region, hinting further downtrend. MACD showing short-term weakness in the market. Prices closed below 9-day and above 18-day EMA, indicating short-term bearish trend. Overall technical picture is pointing towards extension of the bearish trade.

OUTLOOK:

Guar seed as well as guar gum is expected to trade moderately downwards following a weak opening with possibility of late uptrend. Weather conditions need to be closely watched.

NCDEX September Contract

EMA(9) 2047.5 (18) 2035.4



SUPPORT / RESISTANCES:

Contract	S2	S1	PCP	R1	R2
Guar Seed Sept	1969	1998	2045	2088	2124
Guar Gum Sept	5022	5102	5223	5343	5418

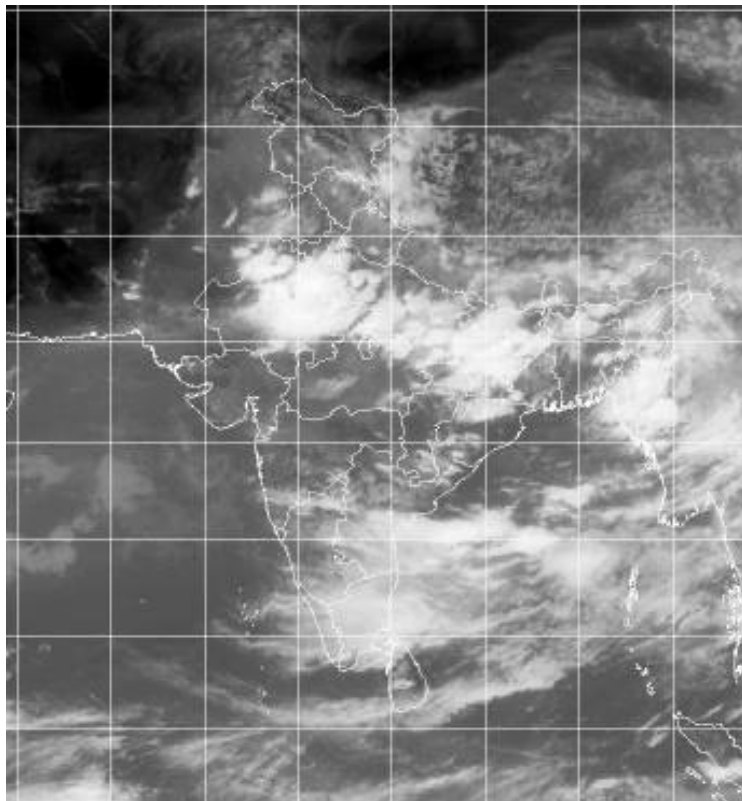
INTRADAY TRADE RECOMMENDATION:

Sell NCDEX- September Guar Seed at 2040-2050 with **target** of 2000, and then 1980 **Stop loss** at 2085.

Sell NCDEX- September Guar Gum at 5215-5225 with **target** of 5150 then 5125 **Stop loss** at 5275.

Do not carry forward the position until the next day.

SATELLITE PICTURE OF MONSOON PROGRESS (25.07.06)



ALL INDIA WEATHER FORECAST:

- The axis of monsoon trough passes through Ganganagar, Agra, Kanpur, Daltonganj, Balasore and thence southeastwards to northeast Bay of Bengal. It is likely to shift further northwards and cause fairly widespread rainfall along the foothills of Himalayas and adjoining Indo-Gangetic Plains during next 3-4 days with possibility of isolated heavy to very heavy falls.
- Increase in rainfall activity is also likely over Tamil Nadu & Pondicherry and Andhra Pradesh during next 48 hours.
- Numerical weather prediction model suggests formation of a low pressure area over northwest Bay of Bengal around 28th which will subsequently increase the rainfall activity over Orissa, Gangetic West Bengal, Jharkhand, Chhattisgarh, Vidarbha and north Andhra Pradesh.
- Rain/thundershowers are likely at a few places over the region outside Marathwada, Saurashtra & Kutch and West Rajasthan where it may be isolated. Increase in rainfall activity is likely over Rajasthan during next 3-4 days.

Heavy Rainfall Warning

- Isolated heavy to very heavy falls likely over Jammu division of Jammu & Kashmir, Himachal Pradesh, Uttaranchal, Punjab, Haryana & Delhi, East Uttar Pradesh, Bihar, Sub-Himalayan West Bengal & Sikkim, Assam & Meghalaya and Arunachal Pradesh.

Outlook for subsequent two days from 0830 hours IST of 28th July 2006 (Based on numerical weather products):

- Rainfall activity over the east India is likely to increase with the likely formation of a low pressure area over northwest Bay of Bengal around 28th July.
- Decrease in rainfall activity likely along the foot hills of Himalayas and adjoining plains.

Source: IMD

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