

## GUAR SEED and GUAR GUM

August 19<sup>th</sup>-28<sup>th</sup>, 2006

### MAJOR ACTIVITY HIGHLIGHTS

- **Guar Prices Remain in Pressure in Spot Market**
- **Guar Futures: Experienced Speculative Selling**

### MARKET COMMENTARY OF MAJOR MARKETS

#### Guar Futures Market

Guar futures at the NCDEX recovered slightly from the early weakness on some buying interest at the lower levels. However, inconsistent rainfall and different news related to guar production confused the participants in futures market. Therefore the long-term participation rate was low. The thin trading activity is witnessed throughout the week. However, selling motives pressurised the futures at the weekend and slid to the flooring limits again and the October contract reached week's high at Rs.1898. The volume of trade has slid down at the weekend from the early highs, while the open interest remained mostly steady at the higher side during this week under review. Guar Seed September contract traded in the range of 1807-1840, while October contract fluctuated in the range of 1818-1861. Guar Gum September contract traded in the range of 4650-4730, while the October contract fluctuated in the range of 4695-4785. The guar futures are likely to trade with a sideways tone in the coming couple of days and sharply upward movement during the later half of the coming week..

#### Guar Physical Market

Guar prices improved somewhat from the early plunged in different major domestic market on the news of some crop loss due to flood as well as scarcity of rainfall in some parts of main guar growing belts. Guar is highly water sensitive crop and requires 8-15 inches of rainfall in 3-4 spells during the entire crop cycle. The western parts of Rajasthan are inundated with heavy downpour, those at eastern end are still struggling for the quantity required for a prosperous growth of guar crop. Bikaner, Hanumangarh, Ganganagar, alongside Haryana has experienced scarcity of water. On the contrary, water stagnation in the fields at Badmer and Jaisalmer is witnessed and this lead to increased threat of crop damage. Combining both the scenes from two major guar-producing belts, the emerging picture is indicating a shrunken production. According to some traders 10% loss of crops is already occurred. Some traders reported arrivals of new guari crops in coming month. However, favourable rainfall in some parts of southwest Rajasthan is likely to support the production and make over some of the losses. The inconsistent nature of rain God along with IMD's prediction of persistent rainfall over southwest Rajasthan made some confusion among the traders. Therefore the guar market remained under pressure throughout the week. At the Jodhpur market guar seed was quoted in the range of Rs.1790-1890 per quintal, while at the Bikaner market it was offered between Rs.1725-1845 per quintal during this

week. At the Jodhpur market prices of guar gum remained weak in the range of Rs.4750-4888 per quintal during this week. The millers were the main buyers in the spot market. Everybody related to guar closely monitoring the monsoon activity and are optimistic about recovery of guar prices from present weakness in coming futures. Some of the traders also attributed that in future guar sentiments can witness a sharply vertical movement. The long-term outlook for guar is likely bullish on good demand amidst lower carry-forward stocks and the short-term outlook is seen steady to firm on good demand amidst lower arrivals.

#### Spot Market Prices of Guar in Main Markets of Rajasthan

(Prices in Rs/qt)

Particular	Centre	Date		Change
		26.08.06	19.08.06	
Guar Seed	Bikaner	1760	1800	-40
	Jodhpur	1850	1870	-20
	Nokha	1720	1790	-70
	Sriganganagar	1720	1800	-80
Guar Gum	Jodhpur	4750	4888	-138

#### Price Movement of Guar Seed and Gum at NCDEX

(Prices in Rs/qt)

Dates	Bikaner	Jodhpur	Guar Gum
19.08.06	1742.50	1756.65	4845.75
21.08.06	1716.25	1708.25	4718.70
22.08.09	1726.25	1743.30	4855.40
23.08.06	1763.65	1745.30	4875.00
24.08.06	1737.70	1758.20	4914.00
25.08.06	1750.00	1751.45	4900.30
26.08.06	1733.85	1742.55	4893.80
Change	-8.65	-14.10	+48.05

### Guar Seed Futures Prices at NCDEX

Dates	Sept Contract		Oct Contract		Nov Contract	
	Open	Open	Open	Open	Open	Open
19.08.06	1819	1808	1844	1818	1852	1828
21.08.06	1802	1833	1808	1854	1816	1863
22.08.09	1840	1823	1854	1842	1865	1852
23.08.06	1829	1842	1844	1863	1857	1877
24.08.06	1853	1805	1872	1819	1885	1831
25.08.06	1795	1826	1809	1844	1824	1856
26.08.06	1832	1813	1846	1827	1870	1839

### Guar Gum Futures Prices at NCDEX

Dates	Sept Contract		Oct Contract		Nov Contract	
	Open	Open	Open	Close	Open	Close
19.08.06	4700	4608	4745	4663	4780	4718
21.08.06	4550	4665	4601	4720	4631	4770
22.08.09	4680	4665	4745	4712	4749	4771
23.08.06	4598	4711	4690	4768	4752	4814
24.08.06	4780	4638	4825	4683	4851	4726
25.08.06	4638	4690	4662	4746	4720	4794
26.08.06	4719	4672	4770	4718	4830	4755

### Monsoon Watch and Weather Outlook (26.08.06)

1. Yesterday's low pressure area over Jharkhand and adjoining Gangetic West Bengal still persists. Under its influence, fairly widespread rainfall with isolated heavy falls are likely over Gangetic West Bengal, Orissa, Jharkhand, Chhattisgarh, East Madhya Pradesh, Bihar and East Uttar Pradesh during next 48 hours.
2. Fairly widespread with isolated heavy falls also likely over Sub-Himalayan West Bengal & Sikkim and northeastern states during the same period.
3. The western end of the monsoon trough continue to lie close to the foothills of Himalayas, however, the eastern end passes through Muzaffarnagar, centre of low, Sri Niketan and thence eastwards to Agartala.
4. A fresh low pressure area is likely to form over northwest Bay of Bengal in a day or two which may

subsequently increase rainfall activity over Orissa and Gangetic West Bengal.

### Heavy Rainfall Warning:

- Isolated heavy falls are likely over Gangetic West Bengal, Orissa, Jharkhand, Chhattisgarh, East Madhya Pradesh, Bihar and East Uttar Pradesh during next 48 hours.
- Isolated heavy falls also likely over Sub-Himalayan West Bengal & Sikkim and northeastern states.

### Outlook for subsequent two days (Based on numerical weather products):

- Moderate rainfall activity likely to continue over Indo-Gangetic plains.
- General decrease in rainfall over the remaining parts of the country.

Source: **GOI (IMD)**

### Zone-wise Weather Forecast

#### **NORTH & NORTH-WEST INDIA [J&K, HP, UTTARANCHAL, PUNJAB, HARYANA, DELHI, WEST UP]**

Scattered to fairly widespread rainfall is likely over the region during 27- 28 August.

#### **EAST AND NE INDIA [EAST UP, BIHAR, JHARKHAND, WEST BENGAL, ORISSA, NE STATES].**

Widespread rainfall with isolated heavy fall is likely over Orissa and Jharkhand during next 3-4 days. Bihar and East U.P may likely to experience scattered to fairly widespread rainfall during next 2 days. Fairly widespread rainfall is likely over NE States during next 2-3 days.

#### **CENTRAL INDIA [ MP, CHATTISGARH, VIDARBHA]**

Fairly widespread to widespread rainfall with isolated very heavy rains are likely over Chattisgarh during next 24 Hrs, then again after 3 days.

#### **SOUTH INDIA [TAMILNADU, AP, KERALA, KARNATAKA, ANDAMAN & NICOBAR ISLANDS, LAKSHADEEP]**

Fairly widespread rainfall is likely over Coastal Karnataka and north interior Karnataka during next 24 Hrs and Scattered over Coastal A. P. and Telangana during next 2 day. Kerala is likely to receive scattered rains. Isolated rainfall is likely over Rayalseema and Tamilnadu during next 4-5 days.

#### **WEST INDIA [MAHARASHTRA OTHER THAN VIDARBHA, GUJARAT, RAJASTHAN]**

Ongoing fairly widespread rainfall activities over Konkan & Goa is likely to continue. Isolated to Scattered rainfall is likely over Maratha, Madhya Maharashtra Vidarbha, Rajasthan and Gujarat during 3-4 days.

Source: **NCMRWF**

## TECHNICAL ANALYSIS

### Commodity: Guar Seed

Perspective: Very Short Term (Weekly)

NCDEX October Contract

**Candlestick:** Formation of candlestick is showing bearish pattern and weak opening.

**Stochastic:** The stochastic is slightly bullish. The %K line and the %D line moving upwards to the normal region

**MACD:** The MACD (5-day) along with its EMA moving downwards in the negative territory, indicating short-term weakness in the market.

**Alignment pattern:** The alignment pattern of moving averages is supporting the downtrend.

### Market Outlook:

The guar futures are likely to trade with a bearish sentiment in the coming couple of days and some upward movement during the later half of the coming week.



## TECHNICAL ANALYSIS

### Commodity: Guar Gum

Perspective: Very Short Term (Weekly)

NCDEX October Contract

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