

GUAR SEED and GUAR GUM

August 12th-19th, 2006

MAJOR ACTIVITY HIGHLIGHTS

- Guar Prices Plunged in Spot Market
- Guar Futures: Remained Backpedals

MARKET COMMENTARY OF MAJOR MARKETS

Guar Futures Market

Guar futures at the NCDEX remained backpedals during this week. The week started with a bearish tone and gradually hit the flooring limits on heavy selling pressure as well as spill- over trading in spot market. The speculative selling interest on the anticipation of good crop due to ongoing drizzle in most of the areas of Rajasthan, guar traded low across the exchange through out the week and the September contract reached week's low at Rs.1815. The volume of trade has been decreasing, 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 1799-1831, while October contract fluctuated in the range of 1809-1850. Guar Gum September contract traded in the range of 4550-4710, while the October contract fluctuated in the range of 4640-4760 during Saturday. The guar futures are likely to trade with a bearish tone in the coming couple of days and possibility of some upward movement during the later half of the coming week.

Guar Physical Market

Guar plunged in different major domestic market on the anticipation of higher production due to favourable monsoon in southeast parts of Rajasthan. Heavy to very heavy rainfall was reported in Bermer, Jaisalmer, Nokha, Jaipur districts of Rajasthan in the week. The rainfall coupled with highly bearish tone of futures market pressurised the physical market sentiments. The market participation was not good enough and this led to lacklustre trading activities in the spot. The anticipation of good crop due to conducive rainfall has been playing a vital role in the minds of traders and this led the traders to keep themselves at sidelines. Consequently, guar prices dragged across different markets of Rajasthan. At the Jodhpur market guar seed was quoted lower in the range of Rs.1870-2025 per quintal, while at the Bikaner market it was offered lower too between Rs.1800-1910 per quintal during this week. At the Jodhpur market prices of guar gum remained weak in the range of Rs.4888-5200 per quintal during this week. Traders attributed that the prevailing weather in Southeast Rajasthan is favourable for crop. However, some part of Rajasthan and Haryana experienced scarcity of rainfall. This may affect the crop. However, rainfall in during growth stage is crucial for overall crop output. In the Churu, Nagar and Sikar district of Rajasthan some infestation of crops by the insect pest

locally named telia was reported. The millers were the main buyers in the spot market Good demand was experienced from different spot markets of guar in the context of lower carry forward stocks. The heavy rainfall may pushed down the prices in next couples of days. However, traders were optimistic about rising the guar prices in coming future on higher demand amidst lower carry forward stocks. The long-term outlook for guar 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
		19.08.06	12.08.06	
Guar Seed	Bikaner	1800	1900-1910	-110
	Jodhpur	1870	2000	-130
	Nokha	1790	1875	-85
	Sriganganagar	1800	1900	-100
Guar Gum	Jodhpur	4888	5200	-312

Price Movement of Guar Seed and Gum at NCDEX

(Prices in Rs/qt)

Dates	Bikaner	Jodhpur	Guar Gum
12.08.06	1920.40	1906.45	5213.00
14.08.06	1837.25	1853.90	5072.45
16.08.06	1809.75	1801.80	4951.25
17.08.06	1864.60	1777.55	4919.70
18.08.06	1737.50	1758.95	4848.50
19.08.06	1742.50	1756.65	4845.75
Change	-177.90	-149.80	-367.25

Guar Seed Futures Prices at NCDEX

Dates	Sept Contract		Oct Contract		Nov Contract	
	Open	Open	Open	Open	Open	Open
12.08.06	2039	1992	2068	2021	2098	2048
14.08.06	1999	1877	2030	1903	2045	1927
16.08.06	1873	1888	1900	1909	1921	1929
17.08.06	1890	1836	1911	1857	1926	1878
18.08.06	1827	1816	1843	1839	1870	1857
19.08.06	1819	1808	1844	1818	1852	1828

Guar Gum Futures Prices at NCDEX

Dates	Sept Contract		Oct Contract		Nov Contract	
	Open	Open	Open	Close	Open	Close
12.08.06	5181	5071	5260	5127	5325	5211
14.08.06	5090	4784	5131	4829	5235	4907
16.08.06	4849	4828	4805	4875	4910	4935
17.08.06	4830	4720	4850	4766	4960	4844
18.08.06	4710	4688	4730	4733	4825	4791
19.08.06	4700	4608	4745	4663	4780	4718

Monsoon Watch and Weather Outlook (20.08.06)

Yesterday's well marked low pressure area over East Rajasthan now lies as a low pressure area over West Rajasthan and neighbourhood. The system is likely to move in a northwesterly direction. Under its influence, fairly widespread rainfall with isolated heavy falls are likely over Rajasthan and adjoining Gujarat region. Fairly widespread rainfall is also likely over Saurashtra & Kutch. Chief amounts of rainfall (cm) during past 24 hours are: Deesa-11, Shimla & Udaipur- 10 each, Barmer-8, Puri & Paradip-7 each, Dehradun & Agathi-5 each, Amini Divi, Ahmedabad, Kolkata (Dum Dum) & Lengpui-4 each. A low pressure area has formed over north Bay of Bengal off West Bengal-Bangladesh coast and is likely to become more marked. It is likely to move northwest direction. Under its influence,

fairly widespread rainfall with isolated heavy to very heavy falls are likely over Gangetic West Bengal and Orissa during next 24 hours. Subsequently, rainfall activity is likely to extend towards Jharkhand, Chhattisgarh, Bihar and East Uttar Pradesh during next 3 days. Axis of monsoon trough at sea level passes through centre of low pressure area, Gwalior, Allahabad, Dhanbad, centre of low pressure area over north Bay of Bengal and thence southeastwards to eastcentral Bay of Bengal. A western disturbance is approaching over J&K and adjoining area. Under its influence rainfall is likely over hilly region of Northwest India during 21-23 Aug 06. Models also indicate for possibility of formation of a cyclonic circulation over Bay of Bengal around 22 August.

Zone-wise Weather Forecast

NORTH & NORTH-WEST INDIA [J&K, HP, UTTARANCHAL, PUNJAB, HARYANA, DELHI, WEST UP]
J&K, Himachal Pradesh and Uttaranchal are likely to experience scattered during 21-23 Aug. Isolated rains over rest of the region during next 3 days.

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

Widespread rainfall with isolated heavy fall is likely over Orissa, Gangetic West Bengal and Jharkhand during next 2 days. Bihar and East U.P may likely to experience fairly widespread rainfall after 48 hrs.

Scattered rainfall is likely over NE States.

CENTRAL INDIA [MP, CHATTISGARH, VIDARBHA]

Fairly widespread to widespread rainfall with isolated very heavy rains are likely over Chattisgarh during next 48 Hrs then subsequently over East Madhya Pradesh.

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

Scattered to fairly widespread rainfall is likely over Coastal Karnataka and north interior Karnataka. Scattered over Coastal Andhra Pradesh, Telangana and during next 2-3 day. Ongoing rainfall activities over Kerala are likely to continue during next 3-4 days. Isolated rainfall is likely over Rayalseema and Tamilnadu during next 4-5 days.

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

Fairly widespread to widespread with isolated heavy rainfall are likely over Rajasthan, north Gujarat and Konkan & Goa. Scattered rainfall is likely over Marathwara and Madhya Maharashtra and during next 3 days

Source: GOI (NCMRWF & IMD)

TECHNICAL ANALYSIS

Commodity: Guar Seed

Perspective: Very Short Term (Weekly)
NCDEX September Contract

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

Stochastic: The stochastic is bearish. The %K line is about to cut the %D line from below in the oversold 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 with possibility of some upward movement during the later half of the coming week.



TECHNICAL ANALYSIS

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