

GUAR SEED and GUAR GUM

September 11th -18th 2006

MAJOR ACTIVITY HIGHLIGHTS

- **Guar Futures: Traded Upwards**
- **Anticipation of Lack of rains in Rajasthan Lifted Prices**

MARKET COMMENTARY OF MAJOR MARKETS

Guar Futures Market

Guar seed and guar gum futures on NCDEX traded mostly sideways in the path of upward trends. The lack of rains in main guar growing belts increased the buying interest among the participants. The sellers are also covering their short position. These mainly lifted the futures to some extent. The volume of trade is seen decreasing, while the open interest remained mostly steady at the higher side during this week under review. The lower volume amidst higher open interest is indicating the possibility of somewhat bullish trend. At the NCDEX, Guar Seed September contract traded in the range of Rs. 1693-1732 per qtl, while the most active October contract moved in the range of Rs. 1721-1764 per qtl. Guar Gum September contract traded in the range of Rs. 4300-4390 per qtl, while the most active October contract moved in the range of Rs. 4420-4529 per qtl.

Guar Physical Market

Guar prices improve somewhat from early plunged in the spot market on the direction of somewhat up trends in futures market. The rainfall within next fortnight is very important for crop growth. Lack of rain mainly in Churu, Nagar, Bikaner districts may cause some harm on the crops. IMD's prediction of dry weather likely to prevail in Rajasthan and Gujarat activated the buyers. The export demand of guar gum from China is also underpinning the market sentiments. Traders are seen interested to hedge the commodity against futures at NCDEX. Early assumption of higher production might be restricted somewhat on long spell of dryness onwards in the guar growing belts. Traders are optimistic that the spot prices would increase sharply in near future. At the Jodhpur market guar seed was quoted in the range of Rs.1675-1775 per quintal, while at the Bikaner market it was offered lower too between Rs.1570-1680 per quintal during this week. At the Jodhpur market prices of guar gum remained weak in the range of Rs.4300-4600 per quintal during this week. The coming sentiment of guar to a great extent depends on the rainfall of coming fortnight.

Spot Market Prices of Guar in Main Markets of Rajasthan

(Prices in Rs/qt)

Particular	Centre	Date		Change
		09.09.06	16.09.06	
Guar Seed	Bikaner	1570	1660	+90
	Jodhpur	1675	1775	+100
	Nokha	1560	1640	+80
	Sriganganagar	1550	1650	+100
Guar Gum	Jodhpur	4300	4600	+300

Price Movement of Guar Seed and Gum at NCDEX

(Prices in Rs/qt)

Dates	Bikaner	Jodhpur	Guar Gum
09.09.06	1571.35	1564.30	4288.30
11.09.06	1618.20	1629.00	4438.95
12.09.06	1611.05	1610.75	4397.35
13.09.06	1626.45	1635.25	4475.25
14.09.06	1650.00	1664.70	4534.65
15.09.06	1636.25	1658.15	4511.00
16.09.06	1673.05	1686.50	4596.10
Change	-101.70	-122.20	-307.80

Guar Seed Futures Prices at NCDEX

Dates	Sept Contract		Oct Contract		Nov Contract	
	Open	Open	Open	Open	Open	Open
09.09.06	1632	1623	1642	1638	1663	1651
11.09.06	1622	1680	1648	1697	1653	1713
12.09.06	1700	1659	1709	1676	1717	1693
13.09.06	1655	1705	1670	1729	1683	1749
14.09.06	1700	1704	1732	1724	1750	1742
15.09.06	1690	1694	1720	1720	1740	1744
16.09.06	1698	1723	1721	1751	1740	1778

Guar Gum Futures Prices at NCDEX

Dates	Sept Contract		Oct Contract		Nov Contract	
	Open	Open	Open	Close	Open	Close
09.09.06	4145	4138	4143	4198	4265	4250
11.09.06	4140	4256	4200	4332	4320	4396
12.09.06	4290	4224	4357	4293	4390	4348
13.09.06	4185	4364	4212	4445	4339	4507
14.09.06	4340	4339	4420	4426	4490	4499
15.09.06	4355	4318	4412	4422	4481	4489
16.09.06	4363	4376	4420	4477	4460	4555

PRICE DRIVERS:

1. Anticipation of dry weather in Rajasthan and Gujarat in the coming week
2. Increased buying interest in the futures market.
3. Low Volume amidst higher open interest at futures market
4. Good export demand of Guar gum from China
5. Good domestic demand in the physical market amidst lower carry forward stocks
6. Long-range weather forecast suggests below normal monsoon this year
7. Rainfall during growth stage is crucial for crop output

OUTLOOK:

Short Term (1 Week): The guar sentiment is likely to witness somewhat bullish on good demand amidst lower carry forward stocks.

Medium Term (1 Month): Bullish on good demand amidst decreasing carry forward stocks.

Long Term (3 Months): Prices might be declining in tandem with the nearing crop arrival time.

Monsoon Outlook (18.09.06)

- Yesterday's low pressure area over north Coastal Andhra Pradesh and neighbourhood persists. Under its influence, widespread rainfall with isolated heavy to very heavy falls are likely over north Coastal Andhra Pradesh and Telangana during next 2-3 days. Fairly widespread rainfall with isolated heavy to very heavy falls are also likely over south Orissa and south Chhattisgarh during same period.
- The other low pressure area over east central Arabian Sea and adjoining north Konkan & south Gujarat coasts also persists. An off shore trough from this system runs upto Kerala coast. Under its influence, widespread rainfall activity with heavy to very heavy falls at a few places are likely over Konkan & Goa (including Mumbai) and Madhya Maharashtra during next 2-3 days. Fairly widespread rainfall with isolated heavy to very heavy falls are also likely over south Gujarat, Coastal Karnataka and Kerala during same period.

Heavy Rainfall Warning:

- Heavy to very heavy falls at a few places are likely over Konkan & Goa (including Mumbai), Madhya Maharashtra, Coastal Karnataka and Kerala. Isolated heavy to very heavy falls are also likely over south Gujarat, Marathwada, south Orissa, south Chhattisgarh, north Coastal Andhra Pradesh, Telangana and Andaman & Nicobar Islands.

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

- Increase in rainfall activity over Orissa and Gangetic West Bengal.
- Enhanced rainfall activity likely to continue over Maharashtra & Goa, South Gujarat region and south Peninsula.

Source: GOI (IMD)

TECHNICAL ANALYSIS

Commodity: Guar Seed

Perspective: Very Short Term (Weekly)
NCDEX October Contract

Candlestick: Formation of candlestick is showing bullish pattern and weak firm.

Stochastic: Stochastic is in oversold region and moving slightly upwards.

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

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

Market Outlook:

The guar sees futures is likely to trade somewhat bullish on good demand amidst lower carry forward stocks.



TECHNICAL ANALYSIS

Commodity: Guar Gum

Perspective: Very Short Term (Weekly)
NCDEX October Contract

Candlestick: Formation of candlestick is showing bullish pattern and weak firm.

Stochastic: Stochastic is in oversold region and moving slightly upwards.

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

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

Market Outlook:

The guar gum futures is likely to trade somewhat bullish on good demand amidst lower carry forward stocks.



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