

## GUAR SEED and GUAR GUM

August 28<sup>th</sup> -September 04<sup>th</sup> 2006

### MAJOR ACTIVITY HIGHLIGHTS

- Guar Prices Remain in Pressure in Spot Market
- Guar Futures: Slid Down on Speculative Selling

### MARKET COMMENTARY OF MAJOR MARKETS

#### Guar Futures Market

Guar seed and guar gum futures on NCDEX down sharply on the anticipations of enhanced guar seed production. The current spell of rains in some parts of Rajasthan increased the expectation of higher production in the mind of speculators. The speculative selling interest slid down the futures drastically and pressurised towards the floor through out the. The volume of trade remained at lower side, 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 trend reversal within a short period. Guar Seed September contract traded in the range of Rs. 1643-1715 per qtl, while the October contract moved in the range of Rs. 1653-1725 per qtl. Guar Gum September contract traded in the range of Rs. 4124-4401 per qtl, while the October contract moved in the range of Rs. 4166-4420 per qtl. During Monday. The guar futures are likely to trade downwards in the coming couple of days and some upward movement during the later half of the coming week on some technical correction.

#### Guar Physical Market

The guar price remained very weak and seems to travel towards floor on account of expectations of good crop and speculators intervention. The arrival of guar seed in some parts of Rajasthan mainly in Sriganganagar district is also underpinning the market sentiments. The anticipation of good crops due to suitable rainfall in major guar growing belts is also supported the bearish tone. Traders from Sriganganagar district attributed a higher production this time and predicted somewhat higher from last year's 9-10 lakh bags. The traders perceived that despite of some crop loss and risk factor in main guar production district at Bermer, Badmer, Pali in Rajasthan and some parts of Gujarat on heavy rainfall not significantly affect the total production as major guar producing areas of the country have received conducive rains suited to healthy growth of the crop. However, the crop may affect drastically, if rains do not revisit in this month that is very much needed for the critical growth stage of the crop. The traders from Bikaner and Nokha districts stated a lower production at their respective states. The confusion among anticipated production is also made the buyers to remain at sidelines. At the Jodhpur market guar seed was quoted much lower in the range of Rs.1700-1850 per quintal, while at the Bikaner market it was offered lower too between Rs.1620-1760 per quintal during this week. At the Jodhpur market prices of

guar gum remained weak in the range of Rs.4450-4750 per quintal during this week. Overall sentiment for long term is bullish on good demand amidst lower carry forward stocks. However, the prices might be declining in tandem with the nearing crop arrival time. The good acreage of sowing and anticipated higher production in Pakistan will also pressurise the guar sentiment of India in near future.

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

(Prices in Rs/qt)

Particular	Centre	Date		Change
		04.09.06	26.08.06	
Guar Seed	Bikaner	1620	1760	-140
	Jodhpur	1700	1850	-150
	Nokha	1580	1720	-140
	Sriganganagar	1600	1720	-120
Guar Gum	Jodhpur	4450	4750	-300

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

(Prices in Rs/qt)

Dates	Bikaner	Jodhpur	Guar Gum
26.08.06	1733.85	1742.55	4893.80
28.08.06	1727.40	1753.05	4907.50
29.08.06	1728.15	1747.65	4868.80
30.08.06	1687.15	1702.05	4732.00
31.08.06	1635.00	1658.15	4537.00
01.09.06	1627.50	1634.60	4511.00
02.09.06	1637.50	1647.75	4482.75
04.09.06	1584.75	1581.40	4361.50
Change	-149.1	-161.15	-532.30

### Guar Seed Futures Prices at NCDEX

Dates	Sept Contract		Oct Contract		Nov Contract	
	Open	Open	Open	Open	Open	Open
26.08.06	1832	1813	1846	1827	1870	1839
28.08.06	1816	1810	1830	1828	1840	1841
29.08.06	1815	1808	1834	1821	1848	1834
30.08.06	1798	1771	1811	1781	1824	1795
31.08.06	1752	1721	1776	1728	1783	1740
01.09.06	1702	1697	1710	1704	1726	1715
02.09.06	1695	1711	1698	1721	1710	1732
04.09.06	1705	1647	1724	1657	1730	1667

### Guar Gum Futures Prices at NCDEX

Dates	Sept Contract		Oct Contract		Nov Contract	
	Open	Open	Open	Close	Open	Close
26.08.06	4719	4672	4770	4718	4830	4755
28.08.06	4695	4686	4749	4723	4778	4757
29.08.06	4699	4682	4727	4712	4775	4753
30.08.06	4655	4556	4670	4587	4740	4632
31.08.06	4523	4377	4580	4426	4554	4468
01.09.06	4220	4343	4375	4379	4420	4431
02.09.06	4310	4383	4370	4430	4425	4484
04.09.06	4320	4142	4420	4197	4525	4252

### PRICE DRIVERS:

1. Anticipation of higher production on recent rainfall over Rajasthan
2. Crops in Bikaner, Hanumangarh, Ganganagar, alongside Haryana has suffered some losses due to scarcity of water
3. Increased Speculative selling in the futures market.
4. Low Volume amidst higher open interest at futures market
5. Good demand in the physical market amidst lower carry forward **stocks**
6. Long-range weather forecast suggests below normal monsoon this year
7. Rainfall in during growth stage is crucial for crop output

8. Increase sowing acreage and anticipated good crop in Pakistan

### OUTLOOK:

#### Short Term (1 Week):

The guar futures are likely to trade downwards in the coming couple of days and some upward movement during the later half of the coming week on some technical correction as well as good demand in physical market.

#### Monsoon Watch and Weather Outlook (04.09.06)

- The well marked low pressure area over north Bay of Bengal concentrated into a depression yesterday evening. Moving west-northwestwards, it crossed north Orissa coast near Chandbali around 0630 hrs IST of today morning. It lay at 0830 hrs IST of today over north Orissa with its centre to the west of Chandbali. The system is likely to move in a west-northwesterly direction
- Under its influence, widespread rainfall with heavy to very heavy falls at a few places and isolated extremely heavy falls (25 cm or more) are likely over Orissa during next 24 hours. Widespread rainfall with heavy to very heavy falls at a few places are also likely over Gangetic West Bengal, Chhattisgarh, Jharkhand and north Coastal Andhra Pradesh during same period. Subsequently, enhanced rainfall belt is likely to extend into East Madhya Pradesh, north Telangana and Vidarbha.
- Squally winds with speed reaching 50-60 kmph are likely along and off Orissa, West Bengal and north Andhra coasts during next 12 hours. The sea condition will be rough to very rough along and off Orissa-West Bengal and north Andhra coasts during same period. The fishermen are advised not to venture into sea.

#### Heavy Rainfall Warning:

Heavy to very heavy falls at a few places and isolated extremely heavy falls (25 cm or more) are likely over Orissa during next 24 hours. Heavy to very heavy falls are also likely at a few places over Gangetic West Bengal, Jharkhand, Chhattisgarh and north Coastal Andhra Pradesh during same period.

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

- ✍ Decrease in rainfall activity over east India.
- ✍ Increase in rainfall activity over Gujarat Region and southeast Rajasthan.

Source: GOI (IMD)

## 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 bearish and in oversold region. The %K line and the %D line moving downwards further.

**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 seed 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

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

**Stochastic:** The stochastic is bearish and in oversold region. The %K line and the %D line moving downwards further.

**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 gum 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.



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