

GUAR SEED and GUAR GUM

September 18th -25th 2006

MAJOR ACTIVITY HIGHLIGHTS

- **Guar Futures: Improved From Early Plunged**
- **Prices also Improved at Spots**

MARKET COMMENTARY OF MAJOR MARKETS

Guar Futures Market

Increased buying interest lifted the Guar seed and guar gum futures on NCDEX from the early plunged in the first part of the week but the rally is restricted on some upper side on profit booking as well as somewhat selling pressure during the rest of the days. The confusion about overall expected production and some drizzling at Jodhpur restricted the uptrend. The volume of trade is seen decreasing, while the open interest remained mostly steady at the higher side during this week under review. At the NCDEX, Guar Seed October contract traded in the range of Rs. 1702-1723 per qtl, while the most active November contract moved in the range of Rs. 1724-1746 per qtl.. Guar Gum October contract traded in the range of Rs. 4300-4354 per qtl, while the most active November contract moved in the range of Rs. 4380-4460 per qtl. The guar sentiment is likely to remain somewhat bullish in the coming week on the anticipation of scarcity of rains.

Guar Physical Market

Guar seed and guar gum traded with positive note in major domestic market on good demand amidst meager arrivals. The scarcity of rainfall in major guar growing belts motivated the stockiest to increase their holding. However some drizzling at Jodhpur restricted the up trend. However, IMD's prediction of prevailing dry weather in coming days as well as withdrawing of S.W. monsoon from West Rajasthan has increased the speculation among traders. The guar gum export demand from China has also supported the sentiments. Sriganganagar market enjoyed fresh arrivals of guar seed. However, due to higher moisture content the demand is somewhat low. Traders reported the overall production is likely to somewhat higher from previous year. However, the long spell of dry weather in the time of critical stage of the crops may affect the yield. At the Jodhpur market guar seed was quoted in the range of Rs.1760-1810 per quintal, while at the Bikaner market it was offered higher too between Rs.1640-1680 per quintal during this week. At the Jodhpur market prices of guar gum has improved and quoted in the range of Rs.4480-4580 per quintal during this week.

Spot Market Prices of Guar in Main Markets of Rajasthan

(Prices in Rs/qt)

Particular	Centre	Date		Change
		16.09.06	23.09.06	
Guar Seed	Bikaner	1660	1650-1660	-
	Jodhpur	1775	1760-1775	-
	Nokha	1640	1638	+2
	Sriganganagar	1650	1650	-
Guar Gum	Jodhpur	4600	4480	+120

Price Movement of Guar Seed and Gum at NCDEX

(Prices in Rs/qt)

Dates	Bikaner	Jodhpur	Guar Gum
16.09.06	1673.05	1686.50	4596.10
18.09.06	1702.50	1707.85	4647.50
19.09.06	1711.25	1712.85	4665.70
20.09.06	1680.85	1686.65	4589.00
21.09.06	1675.00	1687.20	4591.15
22.09.06	1665.40	1677.70	4536.75
23.09.06	1635.10	1658.90	4478.00
Change	-37.95	-27.60	-118.1

Guar Seed Futures Prices at NCDEX

Dates	Oct Contract		Nov Contract		Dec Contract	
	Open	Open	Open	Open	Open	Open
16.09.06	1721	1751	1740	1778	1765	1804
18.09.06	1752	1784	1785	1809	1814	1837
19.09.06	1790	1766	1812	1791	1838	1818
20.09.06	1759	1754	1786	1775	1813	1804
21.09.06	1740	1737	1768	1761	1797	1790
22.09.06	1725	1722	1751	1744	1780	1778
23.09.06	1708	1709	1735	1732	1765	1765

Guar Gum Futures Prices at NCDEX

Dates	Sept Contract		Oct Contract		Nov Contract	
	Open	Open	Open	Close	Open	Close
16.09.06	4420	4477	4460	4555	4569	4628
18.09.06	4491	4550	4555	4610	4630	4676
19.09.06	4545	4507	4610	4567	4700	4649
20.09.06	4461	4461	4555	4534	4648	4611
21.09.06	4402	4393	4498	4474	4585	4557
22.09.06	4355	4361	4445	4437	4534	4515
23.09.06	4321	4327	4460	4406	4485	4482

PRICE DRIVERS:

1. IMD's projection of Southwest monsoon has withdrawn from some parts of Punjab and most parts of West Rajasthan.

2. Anticipation of dry weather in Rajasthan and Gujarat in the coming week

3. Good export demand of Guar gum from China

4. Increased buying interest in the futures market.

5. Low Volume amidst higher open interest at futures market

6. Good domestic demand in the physical market amidst lower carry forward stocks

7. Long-range weather forecast suggests below normal monsoon this year

8. Rainfall during growth stage is crucial for crop output

OUTLOOK:

Short Term (1 Week): The guar sentiment is likely to witness bullish tone on good demand amidst lower carry forward stocks. The scarcity of rains also supports the positive notes.

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 (23.09.06)

- Yesterday's depression over Jharkhand moved slightly northwards and lay centred at 0830 hours IST of today close to Dhanbad. The system is likely to move slowly in a northerly direction and weaken. Under its influence, widespread rainfall with scattered heavy to very heavy falls are likely over Bihar, West Bengal & Sikkim, Jharkhand, Nagaland, Manipur, Mizoram & Tripura and Assam & Meghalaya. Fairly widespread rainfall with isolated heavy falls are also likely over East Uttar Pradesh and north Chhattisgarh.
- Yesterday's cyclonic storm (Mukda) over east central and adjoining northeast Arabian Sea moved in a northeasterly direction and intensified into a severe cyclonic storm. It lay centred at 0830 hours IST of today about 280 Km southwest of Porbandar. The system is likely to intensify further and move slowly in a northeasterly direction towards Gujarat coast. Under its influence, widespread rainfall activity with heavy to very heavy falls at a few places and isolated extremely heavy (more than 25 cm) falls accompanied with Gale winds reaching 100-120 kmph are likely along and off Gujarat coast. The sea condition is likely to be high to very high along the Gujarat coast. The fishermen are advice not to venture into sea.

Heavy Rainfall Warning:

- Heavy to very heavy falls at a few places with isolated extremely heavy (more than 25 cm) falls are likely over Saurashtra & Kutch. Isolated heavy to very heavy falls is also likely over south Gujarat.
- Heavy to very heavy falls at a few places are likely over Bihar, West Bengal & Sikkim, Jharkhand, Nagaland, Manipur, Mizoram & Tripura and Assam & Meghalaya. Isolated heavy falls also likely over East Uttar Pradesh and north Chhattisgarh.

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

- Fairly widespread rainfall activity likely to continue over East & northeast India.

Source: GOI (IMD)

TECHNICAL ANALYSIS

Commodity: Guar Seed

Perspective: Very Short Term (Weekly)
NCDEX October Contract

Candlestick: Formation of candlestick is showing sideways trading pattern and steady to weak opening.

Stochastic: Stochastic is in normal region and moving downwards.

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

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

Market Outlook:

The guar seeds futures is likely to trade bullish tone on good demand amidst lower carry forward stocks. The scarcity of rains also supports the positive notes.



TECHNICAL ANALYSIS

Commodity: Guar Gum

Perspective: Very Short Term (Weekly)
NCDEX October Contract

Candlestick: Formation of candlestick is showing sideways trading pattern and steady to weak opening.

Stochastic: Stochastic is in normal region and moving downwards.

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

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

Market Outlook:

The guar gum futures is likely to trade futures is likely to trade bullish tone on good demand amidst lower carry forward stocks. The scarcity of rains also supports the positive notes.



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