

### Price Drivers

- Lower supply, higher demand, progressive sown area comparatively increased, better crop prospects, favorable weather.
- Ban on wheat export continues despite surplus stock.
- Govt. intention to augment supply, 3.5 MMT foodgrains allocated to the poor and retailers
- Poor offtake from FCI godowns. pressure to offload wheat on FCI
- Global wheat supply is projected lower and overseas trade is raised by 0.5 MMT
- Unfavorable weather condition in major growing regions. Short supply expected in the international market next year.

### Analysis: Technical

- Candlestick formation shows buyers active participation in the futures market.
- Wheat prices closed above 9 and 18 day EMA's, thus denoting increase in bullish momentum.
- RSI is moving up in oversold territory, warrants caution to the bulls.
- MACD is moving up in positive territory, thus denoting increase in bullish momentum for short and medium term. Lower volume is unsupportive for uptrend.
- Wheat is likely to trade range bound with firm bias during the next trading session. Players should opt buying at lower level.

### Trade Recommendation: Wheat NCDEX (Jan.)

Call	Entry	T1	T2	SL
Buy	>1360	1365	1368	1357
Support & Resistance				
S2	S1	PCP	R1	R2
1345	1356	1360	1370	-



### Domestic (India) Market

- Wheat markets are trading with positive note amid higher demand against decreased supply due to cold wave despite increased area, favorable weather and expected increase in supply from govt.'s granary in January, February and March. Stocks in private hands are receding fast and bulk and medium buyers have started buying from federal govt. stock. Prices are likely to stay at higher level in weeks ahead.
- However, India has offered to sell 3.5 million metric tonnes of wheat and rice to retail and bulk consumers over the next six months. It will restrict the uptrend. Prices are likely to stay at higher level in near term.
- The government has offered to sell 1.5 million tonnes of wheat to bulk buyers, such as makers of flour and bakery products, for around INR1,200-INR1,400 per 100 kilograms. Another 1.0 million tonnes wheat has been earmarked for retail buyers for a minimum of INR1,099/100kg. Current prices in retail markets are higher than what FCI has offered.
- As per data received from States, the sowing has progressed fast in the current week. Wheat has been sown in over 275 lakh hectare (till 31.12.2010), which is 10.04 lakh hectare more than last year on this date. Area coverage may exceed in Gujarat, Rajasthan, Haryana and slightly in U.P. Wheat acreage in U.P, the biggest producer state which was lower by 4% a fortnight ago, has gone up by 6 lakh ha to 94.31 lakh ha compared to this period last year. The total area under wheat in the country was 28.62 million hectare in 2009-10.
- Against the buffer norm of 20 mt of rice and wheat, the government's holding on December 1 was 48.44 mt. The wheat stockpile was 23.9 mt, as against the buffer norm of 8.2 mt.
- Wheat and rice are priced at Rs 4.15 and Rs 5.65 per kg, respectively for below poverty line families. The above poverty line families, or the APL ones, have also been allocated 25 lakh tonne of additional wheat and rice. These categories get rice at Rs 11.85 rice a kilo and wheat at 8.45 a kilo. State governments can lift the grain immediately, which will also free up storage space for the winter crop. But offtake is not up to the mark. It is as low as 50 percent of the total allocated quantity.
- The forecast of world wheat production is unchanged from last month, at 644m. tons, some 5% below last year's but still the third highest on record. Harvesting gathered pace in the southern hemisphere, with better production prospects reported in Brazil and Argentina; output in the latter is projected to reach 13m. tons, 5.0m. more than in 2009. Rains continued to delay cutting in eastern Australia: the crop forecast is maintained at 23.0m. tons, but there are increasing reports of yield and quality damage in some areas. Output estimates for the US and Ukraine are trimmed slightly. Global consumption is placed at 660m. tons, up by 2m. from last month-IGC says.

We feel that prices of wheat may trade steady to firm in near term despite higher area coverage, favorable weather and govt.'s intention to augment supply in the open market. However huge stock with federal govt. will keep the market under pressure and will restrict one way gain. Export is unlikely amid open import option. If prices stay at current level, offtake from FCI go-downs is likely to go up. It is high time to consider on exporting wheat to avail the benefit of higher overseas prices.

### Prices at key Markets

Centre	Variety	Prices 07-01-11	Chng from Prior Day	Arrivals 07-01-11	Chng from Prior Day
Delhi (Lawrence Road)	Mill Quality (Ready Delivery)	1340	5	5000	3000
Delhi (Narela)	Mill Delivery Loose	1320	10	1000	Nil
Delhi (Nazafgarh)	Mill Delivery Loose	1300-1320	20	350	150
Gujarat (Rajkot)	Mill quality	1290	10	1600	100
Gujarat(Ahmadabad)	Mill delivery	1355-1360	10	1500	100
Gujarat (Surat)	Mill delivery	1390-1395	5	-	-
M.P. (Bhopal)	Mill quality loose	1175-1200	Nil	400	Nil
M.P. (Indore)	Mill quality	1395	20	1200	-1800
Rajasthan (Kota)	Mill quality loose	1250	Nil	2500	Nil
U.P. (Kanpur)	Mill delivery	1280-1285	Nil	300	100
Punjab (Khanna)	Mill quality loose	1195	5	300	-100
Haryana (Karnal)	Mill quality (Mill delivery)	1245-1250	5	300	Nil
Haryana (Sirsa)	Mill delivery loose	1240-1245	5	150	50
Haryana (Rewari)	Mill quality loose	1245-1260	10	200	100
Haryana (Panipath)	Mill delivery	1240-1250	5	400	-300

\*Prices in Rs/ Qtl & Arrivals in bags (1 bag = 1 Qtl)

### RBI Indicative Exchange Rates

Country/ Continent	Currency	Value in Rupees 07-01-2011	Value in Rupees 06-01-2011
USA	Dollar	45.37	45.31
European Union	Euro	58.93	59.56
United Kingdom	GBP	70.03	70.26

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