

Price Drivers

- Stable demand against normal supply, 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

Analysis: Technical

- Candlestick formation shows buyers support in the futures market.
- Wheat prices closed above 9 and 18 day EMA's, thus denoting increase in bullish momentum.
- RSI is moving down in neutral territory, hints decrease in bullish momentum..
- MACD is moving up in positive territory, thus denoting increase in bullish momentum for short and medium term. Volume has increased and is supportive for uptrend.
- Wheat is likely to trade range bound with firm bias during the next trading session. Players should buy at lower level with maintaining strict stop loss.

Trade Recommendation: Wheat NCDEX (Jan.)

Call	Entry	T1	T2	SL
Buy	>1354	1364	1366	1351
Support & Resistance				
S2	S1	PCP	R1	R2
1335	1350	1360	1370	1380



Domestic (India) Market

- Steady to weak conditions prevailed on the wholesale grains market today as wheat decreased on comparatively lower buying activity against increased arrivals. Millers and retailers demands were seen slowing down and with decrease in demand prices of wheat could not sustain at higher level. However, weakness in the market will not continue and stability is likely to be seen at lower level in weeks ahead.
- Higher area coverage, favorable weather, additional allocation for PDS and govt. intention to augment supply in the physical market will restrict market to go up. Supply through govt.'s granary will continue to put pressure on wheat market. Flour millers, medium and small users will continue buying wheat from all available sources including FCI even in February and March. Stock in private hands is receding fast and govt.'s move regarding supply in lean season will be deciding factors in case of market direction.
- As per data received from States, the sowing has progressed fast in the current week. Wheat has been sown in over 281.25 lakh hectare (till 05.01.2011), which is 7.17 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 UP, 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 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 weak in near term on back of higher area coverage, favorable weather and govt.'s intention to augment supply in the open market. 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.

Prices at key Markets

Centre	Variety	Prices 10-01-11	Chng from Prior Day	Arrivals 10-01-11	Chng from Prior Day
Delhi (Lawrence Road)	Mill Quality (Ready Delivery)	1355-1360	Nil	5000	Nil
Delhi (Narela)	Mill Delivery Loose	1320	-10	1000	Nil
Delhi (Nazafgarh)	Mill Delivery Loose	1300-1320	Nil	300	-50
Gujarat (Rajkot)	Mill quality	1290	-15	1200	900
Gujarat(Ahmadabad)	Mill delivery	1370	Nil	1000	100
Gujarat (Surat)	Mill delivery	1395-1400	Nil	-	-
M.P. (Bhopal)	Mill quality loose	1200-1225	25	500	100
M.P. (Indore)	Mill quality	1395-1400	Nil	1200	200
Rajasthan (Kota)	Mill quality loose	1250-1300	25	4000	1500
U.P. (Kanpur)	Mill delivery	1260	-20	300	-100
Punjab (Khanna)	Mill quality loose	1190	-5	300	-100
Haryana (Karnal)	Mill quality (Mill delivery)	1240-1245	-5	700	-300
Haryana (Sirsa)	Mill delivery loose	1245-1250	5	100	-100
Haryana (Rewari)	Mill quality loose	1245-1260	Nil	250	50
Haryana (Panipath)	Mill delivery	1240-1250	-5	400	-100

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

RBI Indicative Exchange Rates

Country/ Continent	Currency	Value in Rupees 10-01-2011	Value in Rupees 08-01-2011
USA	Dollar	45.44	45.37
European Union	Euro	58.63	58.93
United Kingdom	GBP	70.61	70.03

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