

Price Drivers

- Stable demand against normal supply, progressive sown area comparatively increased, better crop prospects, favorable weather. Additional 5 MMT foodgrains procurement for distribution among poor.
- 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 active participation in the futures market.
- Wheat prices closed above 9 and 18 day EMA's, denotes increase in bullish momentum.
- RSI is moving up in over-brought zone, thus warranting caution to the bulls.
- MACD is moving up in positive territory, thus denoting increase in bullish momentum for short term. Volume has increased and seems to be supportive 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	>1415	1425	1435	1409
Support & Resistance				
S2	S1	PCP	R1	R2
1389	1406	1417	1437	1450



Spot Market Analysis

Domestic (India) Market

- Steady to firm trend continued in cash wheat market due to increased demand against lower supply. Millers and retailers buying at higher level is pushing prices up and supporting the market fundamentals despite higher area coverage, favourable weather and better growth of the recently sown crop. However, gain is likely to be restricted by huge stock, additional allocation for BPL and APL families, supported by bumper crop prospects.
- Weather is favourable for wheat crop and there is no report of major damage from enhanced phase of cold wave. Recent rains have boosted developmental phase of crop growth and India is heading towards bumper crop once again. The government of India may suspend wheat products exports as food inflation falls and vegetable prices still hikes.
- As on 1st January, 11 govt. wheat holding was 21.5 MMT, much more than actual requirement.
- 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.
- 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.

We feel that prices of wheat may trade 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 in January, February and March.

Prices at key Markets

Centre	Variety	Prices 14-01-11	Chng from Prior Day	Arrivals 14-01-11	Chng from Prior Day
Delhi (Lawrence Road)	Mill Quality (Ready Delivery)	1398-1400	+25	5000	+1000
Delhi (Narela)	Mill Delivery Loose	1350	Nil	1000	Nil
Delhi (Nazafgarh)	Mill Delivery Loose	1350	15	300	-100
Gujarat (Rajkot)	Mill quality	closed	-	-	-
Gujarat(Ahmadabad)	Mill delivery	closed	-	-	-
Gujarat (Surat)	Mill delivery	closed	-	-	-
M.P. (Bhopal)	Mill quality loose	1200-1250	+25	300	-200
M.P. (Indore)	Mill quality	1425-1440	-60	1300	+300
Rajasthan (Kota)	Mill quality loose	1310-1315	Nil	3000	Unch
U.P. (Kanpur)	Mill delivery	1275-1285	5	200	-150
Punjab (Khanna)	Mill quality loose	1200-1210	-10	300	100
Haryana (Karnal)	Mill quality (Mill delivery)	1235-1240	-15	2000	1000
Haryana (Sirsa)	Mill delivery loose	1275-1280	+10	200	Nil
Haryana (Rewari)	Mill quality loose	1265-1270	+20	350	100
Haryana (Panipath)	Mill delivery	1250-1265	10	800	Nil

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

RBI Indicative Exchange Rates

Country/ Continent	Currency	Value in Rupees 13-01-2011	Value in Rupees 14-01-2011
USA	Dollar	45.13	45.30
European Union	Euro	59.10	60.40
United Kingdom	GBP	71.05	71.13

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