

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 | 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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