

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 indecision in the futures market.
- Wheat prices closed above 9 and 18 day EMA's, denotes increase in bullish momentum.
- RSI is moving down in over-brought zone, thus warranting caution to the bulls.
- MACD is steady in positive territory, thus denoting sideways in momentum for short term. Expiry of January contact is coming closer, so prices are expected to come down.
- Wheat is likely to trade range bound with week bias during the next trading session. Players should opt selling at higher level.



Trade Recommendation: Wheat NCDEX (Jan.)

Call	Entry	T1	T2	SL
Sell	<1419	1414	1410	1422
Support & Resistance				
S2	S1	PCP	R1	R2
1392	1406	1416	1437	1452

Spot Market Analysis

Domestic (India) Market

- Wheat in cash market continued its northward journey due to increased demand against lower supply. Stock in private hands is receding fast and actual supply is considered to be lower than current demand. 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 available stock, additional allocation for BPL and APL families, supported by bumper crop prospects.
- The acreage of wheat during the current season is up by 9.31 lakh ha at 288.43 lakh ha (28.843 mil) compared to last year as on Jan.14, which could translate into a higher production of around 2.5 to 2.8 mil tonnes compared to last year, subject to favourable weather till harvest in April 2011. While government procurement will continue to swell, problem of plenty will further aggravate storage woes.
- Weather throughout the country is favourable and plant growth in most producing states is said to be satisfactory and India is heading towards bumper production this year provided normal weather condition. Month of February and march would be very crucial for the standing crop and final production figure. As on 1st January, 11 govt. wheat holding was 21.5 MMT, much more than actual requirement.
- 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.
- The world's farmers will produce only slightly more wheat in 2011, the Canadian Wheat Board said. The world will produce 649.5 million tonnes of all types of wheat, up 0.6% from the 2010 crop, he said. Canada will harvest 23.8 million tonnes of wheat, the CWB said, up 2.9% from last year.
- However, predicting a modest increase in world production seems right, but it's too early to put much weight on forecasts. Winter wheat is still in the ground and could turn out to be a bumper or terrible crop. The International Grains Council and U.S. Department of Agriculture have not yet forecast 2011 world wheat crops.

We feel that prices of wheat may trade firm in near term despite higher area coverage, higher 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. Bearish outlook for medium and long term.

Prices at key Markets

Centre	Variety	Prices 15-01-11	Chng from Prior Day	Arrivals 15-01-11	Chng from Prior Day
Delhi (Lawrence Road)	Mill Quality (Ready Delivery)	1390	-10	4000	-1000
Delhi (Narela)	Mill Delivery Loose	1360	10	1000	Nil
Delhi (Nazafgarh)	Mill Delivery Loose	1350-1360	10	300	Nil
Gujarat (Rajkot)	Mill quality	1320	closed	400	-
Gujarat(Ahmadabad)	Mill delivery	1380	closed	-	-
Gujarat (Surat)	Mill delivery	1420	closed	-	-
M.P. (Bhopal)	Mill quality loose	1250-1270	+20	300	Nil
M.P. (Indore)	Mill quality	1450-1480	+40	500	-900
Rajasthan (Kota)	Mill quality loose	1325-1330	10	5000	2000
U.P. (Kanpur)	Mill delivery	1285-1290	5	300	100
Punjab (Khanna)	Mill quality loose	1200-1210	Nil	300	Nil
Haryana (Karnal)	Mill quality (Mill delivery)	1240-1245	-5	1800	-200
Haryana (Sirsa)	Mill delivery loose	1275-1280	Nil	200	Nil
Haryana (Rewari)	Mill quality loose	1260-1270	-5	500	200
Haryana (Panipath)	Mill delivery	1250-1260	-5	700	-100

*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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