

### Price Drivers

- Expectation of bumper production, huge stock and 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 bearish trend in the futures market.
- Wheat prices closed above 9 and 18 day EMA's, denotes bullish momentum in the short term.
- RSI is moving down in neutral zone, thus indicating bearish momentum in the short term.
- MACD is moving up in positive territory, thus denoting bullish momentum in short term.
- 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
<b>Sell</b>	<1399	1391	1386	1408
Support & Resistance				
S2	S1	PCP	R1	R2
1373	1381	1399.8	1403	1419



### Spot Market Analysis

#### Domestic (India) Market

- Mixed sentiment witnessed in key cash markets of wheat. Arrival levels to the mandis were almost unchanged with better off take from the purchasers. Demand from flour millers has increased and they are now active buyers.
- NCDEX futures wheat prices slipped further on market sentiments of better prospects of higher production, favorable weather conditions.
- Wheat prices are likely to go down due to mounting pressure of selling from federal govt's stock, prospects of record production.
- 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.

Wheat could not sustain its uptrend on higher area coverage, favourable weather, additional allocation for PDS and govt. intention to augment supply in the physical market. Prices are likely to come down on record production prospects and hope for higher supply from govt's granary. Flour millers are actively buying wheat from all available sources including FCI and buying is likely to continue in January, February and March.

### Prices at key Markets

Centre	Variety	Prices 18-01-11	Chng from Prior Day	Arrivals 18-01-11	Chng from Prior Day
Delhi (Lawrence Road)	Mill Quality (Ready Delivery)	1370-1375	Nil	4000	-2000
Delhi (Narela)	Mill Delivery Loose	1340	Nil	1000	Nil
Delhi (Nazafgarh)	Mill Delivery Loose	1330-1335	-5	300	Nil
Gujarat (Rajkot)	Mill quality	1330	Nil	1200	Nil
Gujarat(Ahmadabad)	Mill delivery	1410	+10	1500	Nil
Gujarat (Surat)	Mill delivery	1450	+10	-	-
M.P. (Bhopal)	Mill quality loose	1250	-75	200-250	-50
M.P. (Indore)	Mill quality	1450-1460	+10	1000	+500
Rajasthan (Kota)	Mill quality loose	1325-1330	Nil	3500	-1500
U.P. (Kanpur)	Mill delivery	1300	-15	400	Nil
Punjab (Khanna)	Mill quality loose	1225	+5	300	Nil
Haryana (Karnal)	Mill quality (Mill delivery)	1260-1270	+20	200-300	-200
Haryana (Sirsa)	Mill delivery loose	1240-1245	-15	100	-100
Haryana (Rewari)	Mill quality loose	1245-1250	-10	500	Nil
Haryana (Panipath)	Mill delivery	1250	Nil	200-300	-700

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

### RBI Indicative Exchange Rates

Country/ Continent	Currency	Value in Rupees 18-01-2011	Value in Rupees 17-01-2011
USA	Dollar	45.53	45.59
European Union	Euro	60.62	60.73
United Kingdom	GBP	72.55	72.31

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