

Price Drivers

- Bumper production likely, huge stock to be offloaded . Expectation of higher procurement
- Ban on wheat export continues despite surplus stock., Decision on export unlikely
- Govt. intention to augment supply. Lower demand higher supply
- Pressure to offload wheat on FCI
- Global wheat supply is projected lower and overseas trade is raised by 0.5 MMT
- Unfavorable weather condition in major growing regions. Short supply expected in the international market in medium term

Analysis: Technical

- Candlestick formation shows inside day trading pattern indicating sideways trading likely to continue for coming couple of trading session.
- Prices continue to test towards its resistance with dwindling volume indicating lack of adequate buying strength to breach its crucial resistance region of INR 1260-65.
- However any downward correction might find support towards its 9 & 21 Day EMA which is likely to keep short term trend sideways.
- Indicators remain flat with virtual absence of any clear diversion indicating sideways movement is likely to continue for short term.
- Wheat is likely to trade range bound with selling expected at higher levels.

Trade Recommendation: Wheat NCDEX (April)

Call	Entry	T1	T2	SL
Sell	Towards	1245	1231	1252
Support & Resistance				
S2	S1	PCP	R1	R2
1220	1225	1238	1252	1259



Spot Market Fundamentals

- In restricted trading activity on the wholesale grains market wheat prices traded almost flat today on reduced offtake by flour mills against adequate supply. Traders are of the opinion that reduced offtake by flour mills against adequate stocks mainly led to decline in wheat prices.
- Huge stock, hope for bumper crop and favourable weather are weighing on the prices. Supply from govt.'s stock is fulfilling current demand and is restricting gains.
- There is no report of any pest attack from any growing regions. Temperature at night is lower and crop growth is said to be satisfactory so far which could translate into a higher production of around 1 mil tonnes compared to last year, subject to favourable weather till harvest in April 2011. As on 1st January, 11 govt. wheat holding was 21.5 MMT, much more than actual requirement.
- India's wheat planting until Feb. 4 rose 3% from a year earlier to a record, brightening prospects of a bumper crop. The wheat sowing area increased to 29.18 million hectares from 28.32 million hectares, the government data showed. India, the world's second-largest wheat grower, aims to produce 82 million tons of wheat in 2010-11, up 1.6% from the previous year.
- Standing crop in Punjab, Haryana, U.P., Rajasthan, M.P. and Bihar is in excellent condition and lower temperature at night is considered to be favourable for better crop growth. However, concern over rising day temperature is still intact and it may have direct impact on final yield. India's wheat production is estimated to touch an all-time high of 81.47 million tons in 2010-11 crop year. If temperature goes up in day, market may see early arrival in major growing area.
- Punjab has storing capacity of 137.68 lakh tons of foodgrains including CWC and SWC. Just the same way Haryana has collective storage capacity is 46.6 lakh tons, Rajasthan has 27.81 lakh tons and U.P. has 70.83 lakh tons. Total capacity at all India level is 603 lakh tons.
- Global International Grains Council has increased its estimate for global wheat production by 23 million tons next season. In its latest report, the influential intergovernmental group mainly attributed better Russian weather for the newly projected target of 670 million tones. The figure represents an improvement of 3.6% year on year, although leaves production short of the record 683m tonnes set three years ago, and reflected a rise in area greater than the 2% forecast last month, with farmers expected to stretch even further to exploit soaring grain markets.

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 February and March. Prices are likely to remain under pressure.

Prices at key Markets

Centre	Variety	Prices 11-02-11	Chng from Prior Day	Arrivals 11-02-11	Chng from Prior Day
Delhi (Lawrence Road)	Mill Quality (Ready Delivery)	1328-1330	2	3000	1500
Delhi (Narela)	Mill Delivery Loose	1275	-5	1000	Nil
Delhi (Nazafgarh)	Mill Delivery Loose	1275-1280	Nil	400	100
Gujarat (Rajkot)	Mill quality	1275	Nil	400	Nil
Gujarat(Ahmadabad)	Mill delivery	1350	20	200	-100
Gujarat (Surat)	Mill delivery	1375	5	-	-
M.P. (Bhopal)	Mill quality loose	1200-1250	-10	300-400	Nil
M.P. (Indore)	Mill quality	1350	10	500	Nil
Rajasthan (Kota)	Mill quality loose	1270-1280	20	3500	1500
U.P. (Kanpur)	Mill delivery	1290	-5	300	Nil
Punjab (Khanna)	Mill quality loose	1225	5	400	-100
Haryana (Karnal)	Mill quality (Mill delivery)	1290	Nil	NR	Nil
Haryana (Sirsa)	Mill delivery loose	1224	Nil	100	-100
Haryana (Rewari)	Mill quality loose	1245-1255	Nil	100	-50
Haryana (Panipath)	Mill quality loose	1240-1245	-5	NR	-

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

RBI Indicative Exchange Rates

Country/ Continent	Currency	Value in Rupees 12-02-2011	Value in Rupees 11-02-2011
USA	Dollar	45.67	45.70
European Union	Euro	61.90	61.65
United Kingdom	GBP	73.37	72.78

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