

Price Drivers

- Production is likely to cross govt.'s estimate, 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	1235	1225	1238.6
Support & Resistance				
S2	S1	PCP	R1	R2
1215	1225	1231.6	1243	1256



Spot Market Fundamentals

- Steady to weak trend continued to rule cash wheat market on back of better crop prospects, higher area coverage and huge stock likely to be offloaded in the market for vacating storage space for the new one due in the middle of March. Weather is favourable and production of wheat may touch even 83.5 million tons this year. All these factors are weighing on the prices.
- Demand in cash market remained subdued amid dull trading activities. Millers are not buying actively and they are fulfilling their immediate requirements as new crop is not very far away with expectation of bumper crop. Fundamental is unsupportive to the wheat market.
- 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.
- 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.
- 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.

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 12-02-11	Chng from Prior Day	Arrivals 12-02-11	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	1290	15	600	200
Gujarat(Ahmadabad)	Mill delivery	1350	Nil	200	-100
Gujarat (Surat)	Mill delivery	1375	Nil	-	-
M.P. (Bhopal)	Mill quality loose	1200-1250	Nil	500	Nil
M.P. (Indore)	Mill quality	1350	Nil	500	Nil
Rajasthan (Kota)	Mill quality loose	1260-1270	-10	3500	Nil
U.P. (Kanpur)	Mill delivery	1300	10	600	Nil
Punjab (Khanna)	Mill quality loose	1225	5	400	-100
Haryana (Karnal)	Mill quality (Mill delivery)	1290-1300	Nil	NR	Nil
Haryana (Sirsa)	Mill delivery loose	1225	1	150	50
Haryana (Rewari)	Mill quality loose	1245-1250	-5	100	Nil
Haryana (Panipath)	Mill quality loose	1240-1245	-5	NR	Nil

*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	45.76	45.70
European Union	Euro	62.02	61.65
United Kingdom	GBP	73.38	72.78

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