

Domestic Market Recap:

Both Guar Seed and Guar Gum featured a strong sentiment in majority of cash markets during the week ending May 25th amid strong overseas demand for guar gum. Regular demand from gum exporters influenced processors (Guar split and gum manufacturers) to remain active in the market which supported the guar seed prices in the markets besides holding back of stocks by stockists in anticipation of further increase in prices. In Jodhpur market, average guar seed and guar gum prices during the week surged by Rs 935 and Rs 4895 per quintal to Rs 3372 and Rs 9970 per quintal respectively compared to same period last year (2010).

Guar seed arrivals all India (Farmer arrivals) also increased by 1900 bags (1 bag=100Kg) to 12,400 bags during the week compared to last week's arrivals of 10,500 bags as reportedly stockists offloaded their stocks. According to trade sources, around 1 – 1.5 lakh bags guar seed released by stockists (all India basis) during the last week.

Current Market Dynamics & Outlook

Guar gum demand from exporters continue to remain in the market following strong overseas demand which influencing the gum manufacturers/processors to remain active in the market which is supporting the guar seed prices besides holding back of stocks by stockists.

This year guar gum exports are expected to remain at record level at around 3.6 lakh tonnes against 2.18 lakh tonnes in 2009-10 amid robust demand from countries like the US, China and EU. Trade sources revealed that guar gum demand from US and China increased this year by 35-40% compared to last year and is expected to remain good in coming days. However, exporters are worried after the recent notification of Commerce Ministry dated May 18th, 2011 which says that there should absolutely no pentachlorophenol (PCP) in guar gum. Till now it had allowed 0.01% of PCP per Kg. Currently, the matter is taken up with DGFT (director general of foreign trade) as this year exports are extremely positive and several containers are lying in Kandla port for export. If the matter is not considered by DGFT then guar gum exports are expected to fall sharply and consequently the domestic prices.

Currently the guar gum split and powder prices (5000 CPS) are ruling at \$ 2500/MT and \$ 3100/MT FOB Mundra port up 4.1%, and 3.4% from last week.

Commodity	Variety	Week Ending 25 th May (\$/MT)	Last Week 18 th May (\$/MT)	% Change
Guargum Split		2500	2400	4.1
Guargum Powder	200 Mesh 5000 CPS	3100	3000	3.4
	200 Mesh 3500 CPS	3000	2900	3.5

Meanwhile, monsoon will also play a key role for guar seed prices in days to come as guar is mainly rainfed crop and depends on monsoon. So far the monsoon has not yet set over the Andaman and Nicobar Islands and as per the latest report from IMD it is expected to set in the next 2-3 days which reflects a possible delay in arrival of monsoon over the main land "Kerala" from the expected date of May 31st. In such a circumstance traders/stockists may exploit the situation to their advantage.

Guar Prices at Key Spot Markets

Commodity	Centre	Prices (Rs/Qtl)		Change
Guar Seed		25-05-2011	19-05-2011	
	Jodhpur (Delivery)	3490	3410	+80
	Jodhpur (Loose)	3175	3060	+115
	Bikaner	3270	-	-
	Nokha	3250	3200	+50
	Hanumangarh	3326	3275	+51
	Sri-Ganganagar	-	-	-
	Adampur	3450	3400	+50
	Sirsa	3450	3400	+50
	Bhiwani	3450	3400	+50
	Deesa	-	-	-
	Nagaur	-	-	-
	Dhabwali	3320	3250	+70
	Jodhpur	10500	10150	+350
Guar Gum	Bhiwani	10600	10500	+100
	Dhabwali	10600	10400	+200

*Arrivals in bags & prices in Rs. /Quintal

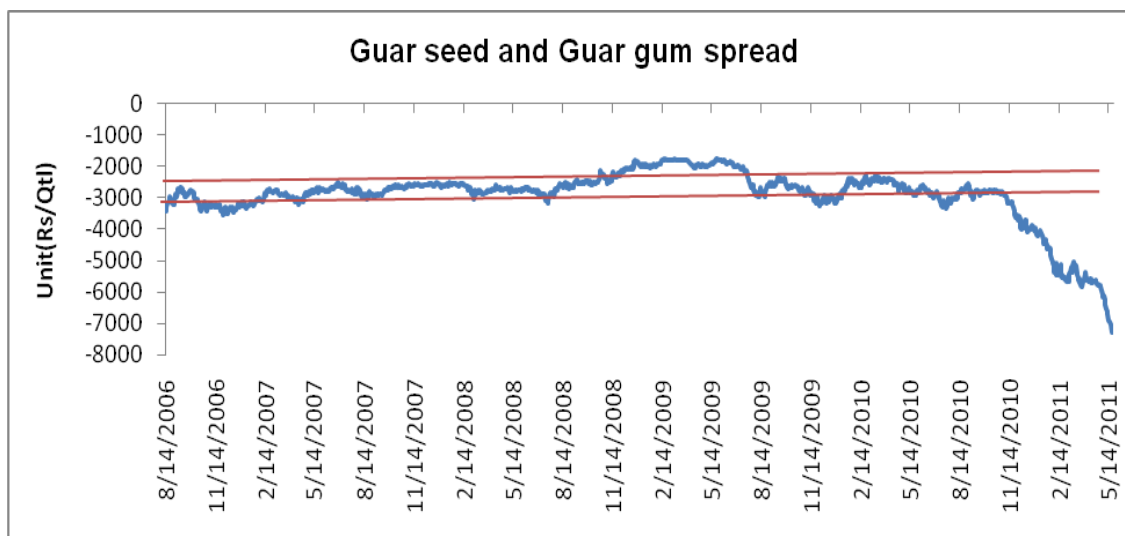
Guar by – Products Prices:

Commodity	Centre	Price (Rs/Qtl)
Churi	Jodhpur	680
Korma	Jodhpur	867

Guar Arrivals in Key Centers

Commodity	Centre	Prices (Rs/Qtl)		Change
Guar Seed		25-05-2011	19-05-2011	
	Jodhpur (Delivery)	-	-	-
	Jodhpur (Loose)	5000	4000	+1000
	Bikaner	500	-	-
	Nokha	1500	1000	+500
	Hanumangarh	-	-	-
	Sri-Ganganagar	-	-	-
	Adampur	5000	1500	+3500
	Sirsa	-	-	-
	Bhiwani	-	-	-
	Deesa	-	-	-
	Nagaur	-	-	-
	Dhabwali	30	-	-

Guar seed and Guar gum Spread Analysis



*price taken from Jodhpur spot market; spread = guar seed – guar gum. **Fig - 1**

As depicted in the chart, historical spread between guar seed and guar gum normally remained between 2000 to 3000 per quintal. During Jan-Dec 2009 and 2010 the average spread between guar seed and guar gum were - 2306 and 2875 per quintal but in 2011 the spread increased to 7000 per quintal during first 5 months (Jan-May) which is up by 5442 per quintal last year (Jan-Dec) average spread.

The spread gap between guar seed and guar gum is expected to widen further in the days to come on expected good exports from the country. However, if there will be restriction (no PCP content) on exports by government then there is possibility that gum price may come down and in turn narrow the gap. The major fall is expected in guar gum prices while guar seed may remain stable to decline marginally.

Outlook:

Both guar seed and guar gum prices are expected to remain firm in the coming week amidst good overseas demand for guar gum and holding back of stocks by stockists besides expected delay in onset on monsoon. However, expected supply pressure at higher price level from stockists may limit the gains to some extent. Also if government disallows exports of guar gum containing PCP then it may also weigh on prices. However, exporters are taken up the matter with DGFT for allowing exports of guar gum containing PCP 0.01% per Kg due to strong overseas demand this year in the country and decision on the same is awaited

Spot Market Technical Analysis of Guar seed & Guar gum



Fig-2 – Guar Seed Weekly Spot Prices (Jodhpur) Technical Analysis.

As reflected in the above chart, overall guar seed trend remain up and intact. Prices are well above the short term EMAs (9 and 18 days) which supports firm market. Momentum indicator MACD also indicate for a firm market ahead. Oscillator RSI remains in the overbought territory which hints for a possible weakness in prices. Immediate support can be seen at 3200 level. We expect guar seed prices to remain firm in coming week and one should go for buying guar seed at 3200 level for the target of 3398 in spot market.



Fig-3 – Guar gum Spot Prices (Jodhpur) Technical Analysis.

As evident from the chart, prices are moving upward getting the ascending triangle breakout at 8606 level. Overall guar gum prices trend remains up and intact. Prices are well above the short term EMAs (9 and 18 days) which supports firm market. Momentum indicator MACD also indicate for a firm market ahead. Oscillator RSI remains in the overbought territory which hints for a possible weakness in prices. Immediate good support is at 10078 level and resistance at 10823 level. Guar gum prices to remain firm in the coming week one should opt for buying at 10078 in cash market.

Futures Market Technical Analysis:

Commodity: Guar Seed

Contract: June

Exchange: NCDEX

Expiry: June 20th, 2011

GUAR SEED

Technical Commentary:

- Rising wedge formation (bearish reversal pattern) appears in the guar seed weekly chart. Currently prices are taking resistance of upper wedge line and are expected to come down after taking resistance near 3384 level. Immediate good support can be seen at 3205 level.
- We expect prices to move within the rising wedge (between 3205-3384). Breaching level either side will decide the further price movement.



Strategy: Buy on dips near support level.

Intraday Supports & Resistances			S2	S1	PCP	R1	R2
Guar Seed	NCDEX	June	3162	3205	3314	3384	3429
Intraday Trade Call			Call	Entry	T1	T2	SL
Guar Seed	NCDEX	June	BUY	>3205	3300	3332	3155

Commodity: Guar Gum

Contract: June

Exchange: NCDEX

Expiry: June 20th, 2011

GUAR GUM

Technical Commentary:

- As reflects in the chart overall prices trend remains up and prices are holding the level well above the short term EMAs (9 and 18 day) which hints for firm market.
- RSI is remains in the overbought regions which hints for possible weakness in prices and warranting caution to the bulls.



Strategy: Buy on dips near support level.

Intraday Supports & Resistances			S2	S1	PCP	R1	R2
Guar Gum	NCDEX	June	9936	10102	10270	10538	10683
Intraday Trade Call			Call	Entry	T1	T2	SL
Guar Gum	NCDEX	June	BUY	>10102	10382	10450	9930