

Domestic Market Recap:

Guar Seed and Guar gum prices featured firm sentiment during the week ending June 23rd on account of waning arrivals in major spot markets of Rajasthan and Haryana due to lean season coupled with strong guar gum export demand. 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 domestic markets. In Jodhpur market, average guar seed and guar gum prices during the week surged to Rs 3452 and Rs 10485 per quintal compared to Rs 2328 and Rs 5015 per quintal during same period last year (2010).

As currently arrivals are found only in the major mandies in domestic market, trade participants are expecting a supply crunch in the coming days which may further support to guar prices in short term. Guar seed all India arrivals are reported lower in the week at 48,000 bags (1 bag = 100Kg) as compared to the previous week's 60,000 bags. However, guar seed arrivals are expected to increase in coming days with the progress of SW monsoon.

Current Market Dynamics & Outlook

Guar prices are traded with firm sentiment during current week period. Demand for guar gum from exporters continue to remain in the market following strong overseas demand which is influencing the gum manufacturers/processors to remain active in the market which is supporting the guar seed prices.

Stockists are reportedly inactive in the spot market which may affect the guar prices in coming days. The selling pressure from the stockists of Guar seed is reported at higher price level across the spot market. As per trade information, stockists may have around 10 - 15 lakh bags of stocks that they may off-load in the domestic market at a higher price level and timely onset of monsoon over NW India favours sowing which also may weigh on prices in the short term. But trade participants are expecting that, overall price for guar seed and guar gum will go up in coming week as a result of continuing demand for guar gum as well as shrinking arrivals in the cash market.

As per State Agriculture Board of Rajasthan guar seed total area this year (Kharif 2011) is targeted at 2812 thousand hectares which is a decline from the 3000.7 thousand hectares in the previous year (2010). This is mainly due to crop diversification by cultivators towards cotton crop. As per the latest farmers information, in Haryana around 50-60 per cent guar area has shifted towards cotton cultivation after the pre-monsoon showers in the area like Adampur, Sirsa etc.

Analysis of Weather Report

As per the latest IMD's long range forecast for the 2011 south-west monsoon (June to September) precipitation is likely to stay in the normal range of 96-104% of Long Period Average (LPA). Apart from normal prediction IMD has also stated that there is very low probability of this season's rainfall to be deficient (below 90% of LPA) or excess above 110% of LPA. Monsoon season rainfall is likely to be 98% of the LPA with a model error of $\pm 5\%$. The LPA of the season rainfall over the country as a whole for the period 1951-2000 is 89 cm.

Comparison of long range forecast update for 2010 and 2011

Region	LPA 2010 (mm)	LPA 2011 (mm)	Change %
All India	890	887.5	-0.28
Northwest India	612	615	0.49
Central India	994	975.5	-1.86
Northeast India	1429	1438.3	0.65
South Peninsula	725	715.5	-1.31
All India (July)	293	289.2	-1.30
All India-August	262	261.3	-0.27

*long period average (LPA)

Comparison between the latest LPA forecast for 2011 vs 2010 reveal marginal decline in precipitation over major regions of India with July rainfall forecast projected at 289.2 mm with deficit of 1.30 percent when compared with the previous year LPA forecast during June 2010.

However, latest weather forecast reveals improvement of precipitation in North West and North East region of India when compared with the LPA forecast of 2011 vs 2010.

There is much hype regarding monsoonal precipitation as most of the market participants are comparing LPA forecast with the actual precipitation received during July – Sep period during 2010 as mentioned in the following table:

Comparison of previous year (2010) actual Monsoon and LPA Forecast for Monsoon 2011

Region	Actual (mm) 2010	LPA 2011(mm) Forecast	Change %
All-India	912.8	887.5	-2.77
North West India	688.2	615	-10.63
Central India	1027.9	975.5	-5.097
South Peninsula	853.6	715.5	-16.17
North East India	1175.8	1438.3	22.32
Monthly Rainfall			
All India (July)	301.79	289.2	-4.17
All India (August)	277.72	261.3	-5.91

The above data reveal that LPA 2011 forecasts are lagging behind the actual forecast of 2010 except for North East region primarily on account of more than higher rainfall realized when compared to the LPA forecast. However, since IMD forecast says total rainfall during June to Sep is expected to stay normal i.e. 98% of the LPA we expect normal showers in most of the regions with marginal deviation with model error of 5%.

Since Kharif planting is in progress in most of the growing regions but actual rainfall received during July and Aug might define the productivity and get reflected on the total Kharif production.

According to the trade sources in Rajasthan, if the progress of monsoon remains normal then guar sowing would start by end of June or first week of July. Monsoon will remain the key factor for deciding actual guar area in Rajasthan and sowing of the commodity would commence after the first spell of monsoon rains over Rajasthan.

Guar Prices at Key Spot Markets

Commodity	Centre	Prices (Rs/Qtl)		Change
Guar Seed		22-06-2011	15-06-2011	
	Jodhpur (Delivery)	3600	3400	+200
	Jodhpur (Loose)	3250	3050	+200
	Bikaner	3450	3280	+170
	Nokha	3410	3260	+150
	Hanumangarh	3446	3295	+151
	Sri-Ganganagar	-	-	-
	Adampur	3570	3420	+150
	Sirsa	3570	3420	+150
	Bhiwani	3570	3420	+150
	Deesa	3170	3120	+50
	Nagaur	-	-	-
	Dhabwali	-	3250	-
	Jodhpur	10950	10350	+600
Guar Gum	Bhiwani	11100	10600	+500
	Dhabwali	-	10550	-

*Arrivals in bags & prices in Rs. /Quintal

Guar by – Products Prices:

Commodity	Centre	Price (Rs/Qtl)
Churi	Jodhpur	667
Korma	Jodhpur	834

Guar Export Prices:

Commodity	Variety	Value (\$/MT)
Guargum Split		2500
Guargum Powder	200 Mesh 5000 CPS	3300
	200 Mesh 3500 CPS	3250
Guargum Meal		300

Guar Arrivals in Key Centers

Commodity	Centre	Prices (Rs/Qtl)		Change
Guar Seed		22-06-2011	15-06-2011	
	Jodhpur (Delivery)	-	-	-
	Jodhpur (Loose)	5000	5000	Unch
	Bikaner	300	100	+200
	Nokha	400	500	-100
	Hanumangarh	-	-	-
	Sri-Ganganagar	-	-	-
	Adampur	2000	1700	+500
	Sirsa	-	-	-
	Bhiwani	-	-	-
	Deesa	230	230	Unch
	Nagaur	-	-	-
	Dhabwali	-	70	-

Spot Market Technical Analysis of Guar seed & Guar gum

As evident from the weekly chart, guar seed prices are moving in the rising channel and overall the trend remains up. Prices are well above the short term EMAs (9 and 18 days) which supports firm market. Immediate good support is at 3185 level and resistance at 3423 level. Guar seed prices for the coming week are expected to remain in the range of 3185-3423.



Fig-1 – Guar seed Spot Prices (Jodhpur) Technical Analysis.

As seen from the chart, 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 10115 level and resistance at 11018 level. Guar gum prices expected to remain range bound with firm sentiment in coming week.



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

Futures Market Technical Analysis:

Technical Commentary:

- As depicts in the chart, overall guar seed prices trend remains up and prices are well above the short term EMAs (9 and 18 day) which hints for firm market.
- RSI is moving in overbought region which hint for possible weakness in prices in coming days.
- Immediate good support can be seen at 3270 level and resistance at 3495 level.



Strategy: Buy on dips near support level.

Intraday Supports & Resistances			S2	S1	PCP	R1	R2
Guar Seed	NCDEX	July	3221	3270	3476	3470	3495
Intraday Trade Call			Call	Entry	T1	T2	SL
Guar Seed	NCDEX	July	BUY	>3270	3364	3420	3220

Technical Commentary:

- Guar gum prices are moving in the rising channel and overall the trend remains up and intact.
- Prices are well above the short term EMAs (9 and 18 day) which hints for firm market.
- RSI is moving in overbought region which hint for possible weakness in prices in coming days.
- We expect prices to move within the rising wedge between 10240 – 10970.



Strategy: Buy on dips near support level.

Intraday Supports & Resistances			S2	S1	PCP	R1	R2
Guar Gum	NCDEX	July	10050	10240	10955	10971	11060
Intraday Trade Call			Call	Entry	T1	T2	SL
Guar Gum	NCDEX	July	BUY	>10240	10710	10971	10016