

Domestic Market Recap:

- Increasing demand from exporters as well as local millers/processors surged Guar prices continuously during the week.
- Despite increase in the special margin on long position of both guar seed and guar gum, futures counter at NCDEX continue to feature a firm tone amid prevailing firm fundamentals. Medium to long term perspective looks good for guar seed as overall the stocks are expected to decline significantly to around 20,000 tonnes from last year's 150,000 tonnes.
- The demand-supply mismatch this year due to estimated lower guar seed output at around 14 – 14.5 lakh tonnes also supporting the sentiment.

Current Market Dynamics

Markets maintained its firm tone continue with a strong support from good overseas demand particularly for industrial use (oil drilling) and local millers/processors demand. Also lower stocks of guar seed in the markets due to lower production this Kharif 2011 season further supported the bull trend besides lower carry-in stocks (1.5 lakh tonnes). Overall guar seed production this year is expected to be at around 14 – 14.5 lakh tonnes compared to previous years 18.5-19 lakh tonnes.

To keep a lid on rising prices and to keep a check on speculators NCDEX (National Commodity & Derivatives Exchange) and FMC have imposed following norms and changes...

- 1) On late Monday (Jan. 16th, 2012) NCDEX has further increased the special margin by 20% (collected in cash) in all the running and yet to be launched contracts of guar gum and guar seed which translate to a total special margin of 60% currently (collected in cash) weighed on prices besides no fresh position (including Intra-day) is allowed for January expiry contract. Only squaring up of the existing contracts is allowed. This has been applied on 16th January 2012.
- 2) On other hand, FMC has reduced the brokers position limit of the clients in Guar Gum and Guar Seed. In Guar seed brokers client position limit has decreased about 20%. Whereas, the position limit for guar gum 40%. However, the client's position limit in Guar Gum has not changed. The new limit is applied on 21st January. Resultantly, the open interest position for the benchmark guar seed contract fell from 142,280 tonnes on Dec. 21 to 61,410 tonnes on Monday after the exchange cut the open interest limit
- 3) Forward Markets Commission has revised the position limits of Guar seed and Guar Gum contracts as following :-

Commodity	Open Interest Limit (MT)			
	Aggregate Limit for all Contracts traded on all Exchanges		Near month limit for contracts traded on all Exchanges	
	Member*	Client	Member*	Client
Guar seed	12000	2400	4000	800
Guargum	3000	1000	600	200

- 4) In the regulatory probe, "show cause" notices went out to five brokers and additional information was sought from 30 entities after a preliminary investigation found irregularities in the trade.

Despite several measures taken by the regulator (FMC) and NCDEX, both guar seed and guar gum prices continued its bull run in both the futures and spot markets.

Looking at the demand-supply side of the guar seed long term perspective looks bullish as up to Aug.-Sept. 2012 ending stocks of guar seed may decline by 87% to around 20,000 tonnes compared to previous year which may remain supportive for prices. But export or overseas demand to be watched very carefully as in coming days price movement in cash market would depend mostly on overseas demand besides the sowing progress of Kharif 2012 which seems to be good looking at this year's (2011) prices.

As per the figures available with Apeda guar gum exports during Apr-Sept 2012 increased significantly to 285746 tonnes against 170303 tonnes same period last year. Reportedly regular good overseas demand for guar gum powder from the US for oil drilling is supporting the sentiment.

Lower productions prospects than earlier estimates, overall strength in Dollar aiding exports and reports of lower stocks are likely to support the market sentiments in medium term however. Anticipations of further rise in exports in coming weeks could aid the uptrend further as per traders. High demand from China for oil drilling activities have been reported recently thus pushing up the demand for Gum. As per APEDA, India has exported 2.45 lakh MT Guar Gum during April-August 2011 vs. 1.32 lakh MT during same period last year 2010.

Guar seed output in Rajasthan is estimated at 12.03 lakh tonnes for 2011-12 seasons lower from previous year i.e.15.46 lakh tonnes. Production of Guar in Haryana is expected to be 3.2 lakh tonnes and 0.6 lakh tonnes respectively in 2011- 12. The table below shows the State-Wise APY for 2011-12.

State Wise Area and Production Estimated 2011/12		
State/Attribute	Area	Production
Rajasthan	29.07	11.36
Haryana	2.56	3.2
Gujarat	1.20	0.6

Crop Condition & Weather

Limited stocks in all the key mandies available further to deliver in the market. Weather favors smooth harvesting of the matured crop. Farmers as well as stockiest tremendously gain profit.

Guar Prices at Key Spot Markets

Commodity	Centre	Prices in Rs/Qtl		Change
		21-01-12	13-01-12	
Guar Seed	Jodhpur (Delivery)	13000	10300	2700
	Jodhpur (Loose)	11800	9500	2300
	Bikaner (Delivery)	12300	10500	1800
	Bikaner (Loose)	12000	10200	1800
	Nokha	12000	10000	2000
	Hanumangarh	12100	10200	1900
	Sri-Ganganagar	12000	10000	2000
	Adampur	12600	10300	2300
	Sirsa	13000	10000	3000
	Bhiwani	12600	10200	2400
	Deesa	10110	9100	1010
	Nagaur	11700	10000	1700
	Dhabwali	11700	10050	1650
	Jodhpur	40000	36000	4000
Guar Gum	Bhiwani	37300	32950	4350
	Dhabwali	32000	30000	2000

Guar by – Products Prices:

Commodity	Centre	Price in Rs/75Kg	
		21-01-12	13-01-12
Churi	Jodhpur	850	850
Korma	Jodhpur	1050	1050

Guar Export Prices:

Commodity	Variety	\$/MT	
		21-01-12	13-01-12
Guargum Split		7500	4650
Guargum Powder	200 Mesh 5000 CPS	8800	6000
	200 Mesh 3500 CPS	8700	5900
Guargum Meal		290	250

Guar Cumulative Arrivals in Key Centers

Centre	Arrivals (Quintals)		Change
	Week Ending 21-01-2012	Week Ending 13-01-2012	
Jodhpur	-	-	-
Bikaner	2900	5200	-2300
Nokha	9600	5500	4100
Hanumangarh	2450	850	1600
Sri-Ganganagar	6200	5200	1000
Adampur	19800	20000	-200
Sirsa	5250	10000	-4750

Bhiwani	15000	19000	-4000
Deesa	1215	1205	10
Nagaur	850	1855	-1005
Dhabwali	1300	1100	200
All India	45000	215000	-170000

Spot Market Technical Analysis of Guar seed & Guar gum



Fig-1 – Guar Seed Weekly Spot Prices (Jodhpur) Technical Analysis

As evident from the chart, prices continue to move up into uncharted territories. Overall trend remains up and intact. Prices have closed above 12 & 26-day EMAs supporting the bullish sentiments in the market. RSI is moving up the overbought region and hints at profit booking in the next week. Indicator, MACD is moving up in the positive region and supports the bullish momentum. Close above the weekly level at 10000 may continue to support the bullish signal in the market, but a close below the 8700 level may change the weekly trend down. Prices in the coming week may trade in range from 10000-13000.



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

As evident from the chart, prices are moving up and trend remains up and intact. Prices have closed above 9 & 18-day EMAs supporting the bullish sentiments in the market. RSI is moving up in the overbought region and hints at profit booking in the next week. Close above the weekly level at above 36000 may continue to support the bullish signal in the market, but a close below the 31000 level may change the weekly trend down. Prices in the coming week may trade in range from 38000-41000.

Spot Outlook:

Both Guarseed and Guargum prices are expected to trade range bound to firm on firm demand against limited available stocks. Lower production estimates this year prices may see support at 8900-9700 levels for guar seed and 31700-34500 levels for guar gum in the long run.

Exchange Technical (NCDEX):

Technical Commentary: (Guarseed)

- As evident from the chart, prices are moving in between ups and downs zone which depicts a correction in the market during coming week ahead.
- Prices are above the short term EMA (12 day) which supports the bullish trend in the market.
- Oscillator, RSI is slight up in the overbought region and suggests that prices may see some profit booking.
- Close above the weekly level at 11900 to 12000 may continue to support the bullish signal in the market, but a close below at 8000 the level may change the weekly trend down.
- Prices in the coming week may trade in range from 10000-12500.

GUAR SEED



Strategy: Buy at mentioned supports and book profits and mentioned resistances.

Weekly Supports & Resistances			S2	S1	PCP	R1	R2
Guar seed	NCDEX	January	8122	9724	11828	12814	13015

Technical Commentary: (Guargum)



- As evident from the chart, prices are moving in between ups and downs zone which depicts a correction in the market during coming week ahead.
- Prices are above the short term EMA (12 day) which supports the bullish trend in the market.
- Oscillator, RSI is slight up in the overbought region and suggests that prices may see some profit booking.
- Close above the weekly level at 35000 may continue to support the bullish signal in the market, but a close below the 25000 level may change the weekly trend down.
- Prices in the coming week may trade in range from 38000-41000

GUAR GUM



Strategy: Buy at mentioned supports and book profits and mentioned resistances.

Weekly Supports & Resistances			S2	S1	PCP	R1	R2
Guar gum	NCDEX	February	26900	33633	39118	42830	43412

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