

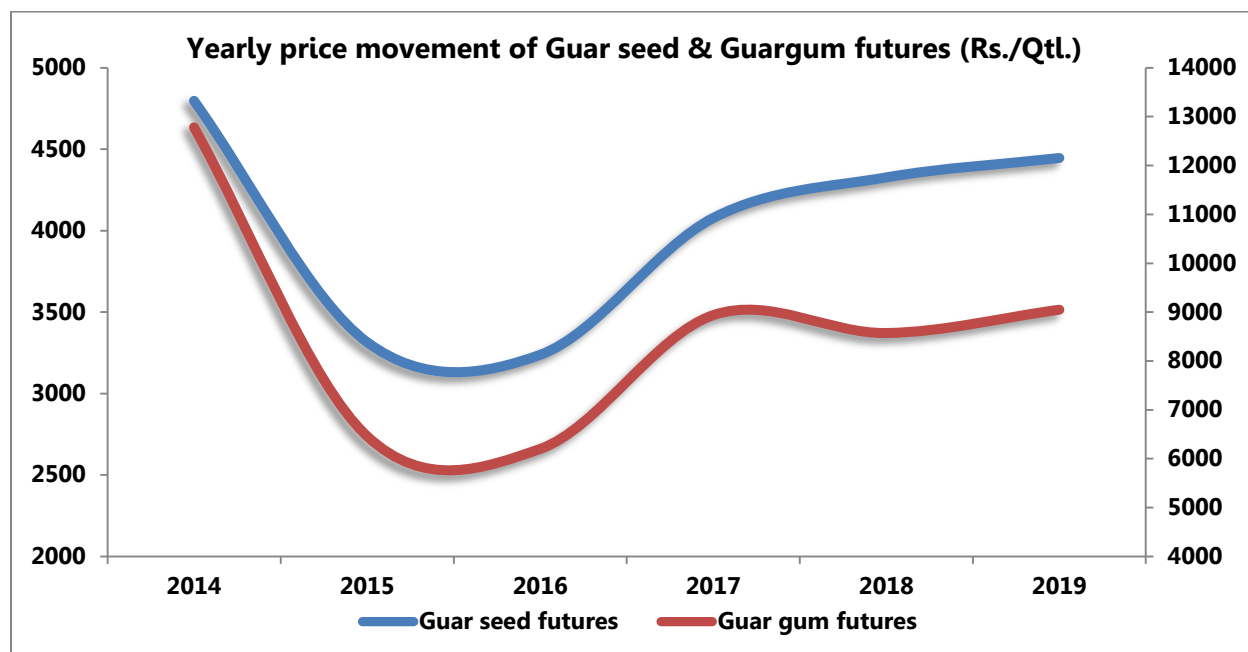
TECHNO FUNDA REPORT ON GUAR



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The history

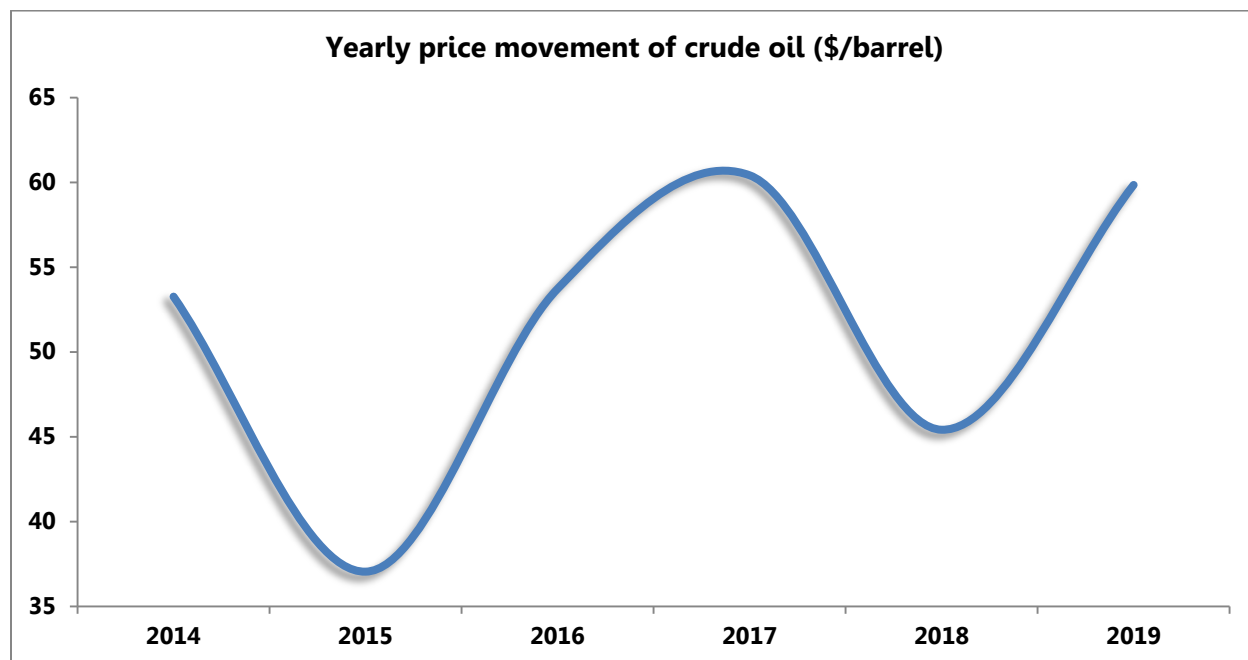
Taking a look at the long charts, overall the guar complex is trading near its yearly high & is maintaining its course of uptrend since past 3 years. However, last year the duo moved a bit opposite to each other with guar gum giving a negative return of 4% and on the contrary guar seed posted decent gains of 6%.



Source: Reuters

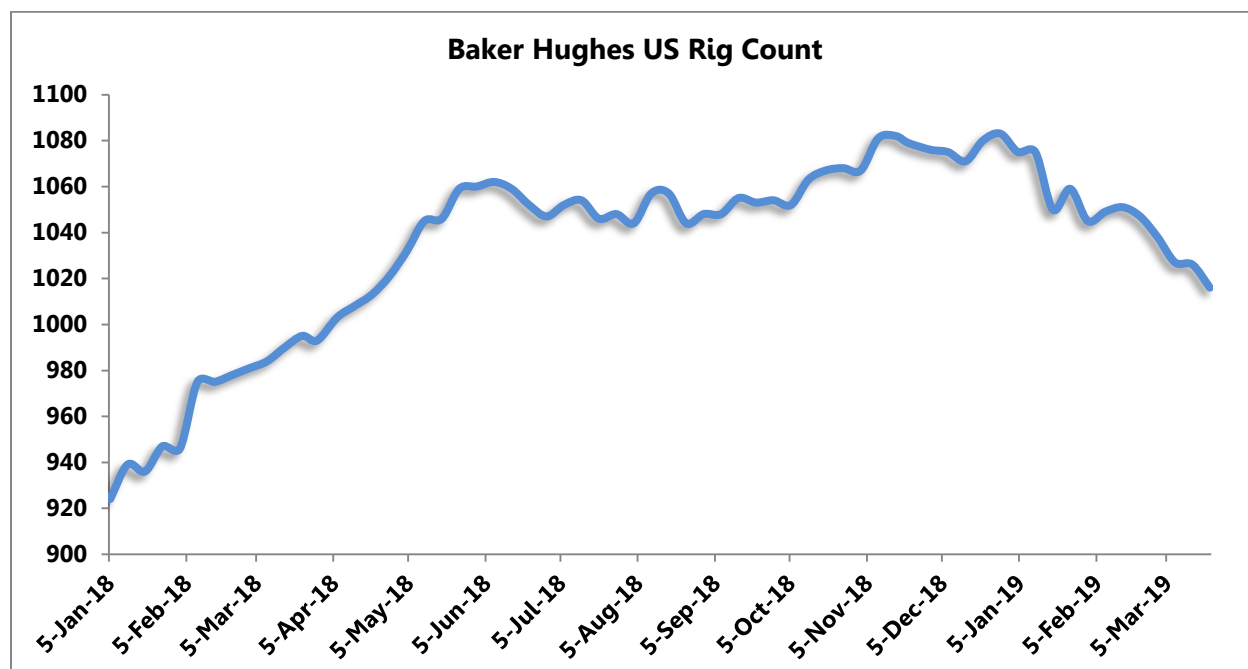
The uptrend in guar seed was led by water scarcity in guar growing regions of Rajasthan and Haryana, owing to deficient monsoon. Shortage of rainwater in canals for this rain fed crop forced the farmers to shift towards soybean and moong noting the sharp rise in minimum support price of these commodities.

In 2018, guar gum had rocketed from the lows of 7200 to high of 10510, but all the gains were erased by the reversal in oil prices in the international market, battered by heavy supply side and global politics. The crisis of oil prices were not exclusively linked to oversupply, demand also tapered off amid more efficient fuel technology getting adopted by many countries.



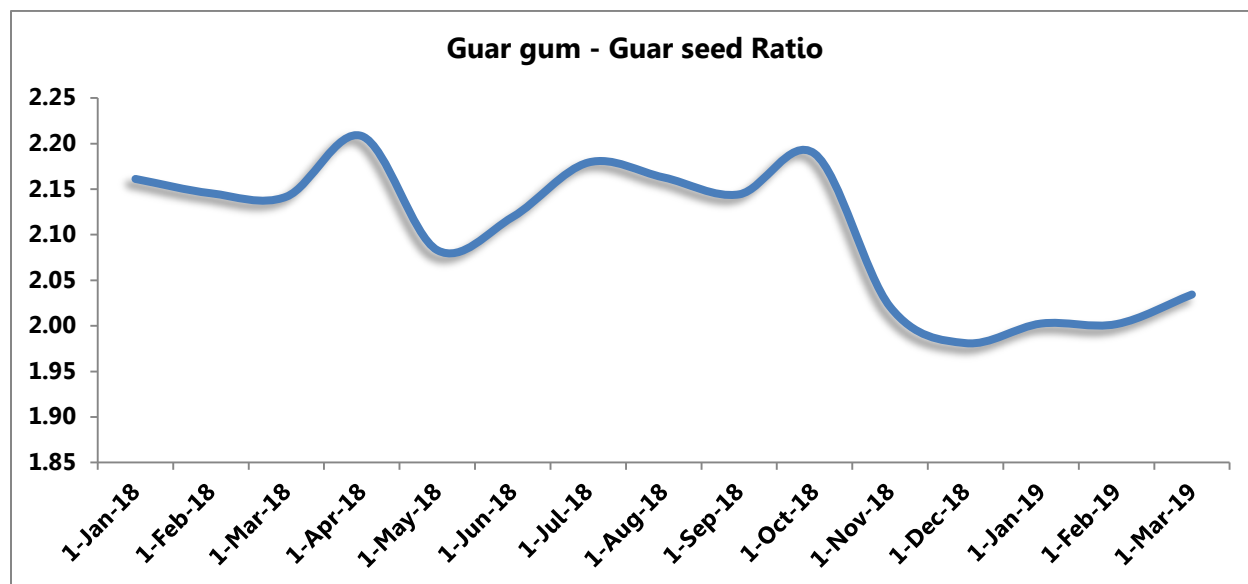
Source: Reuters

Secondly, the guar gum continuously came down year after year as the biggest buyer North American oil sector is leaning towards slick water and friction reducer from China which is cheaper than guar gum.



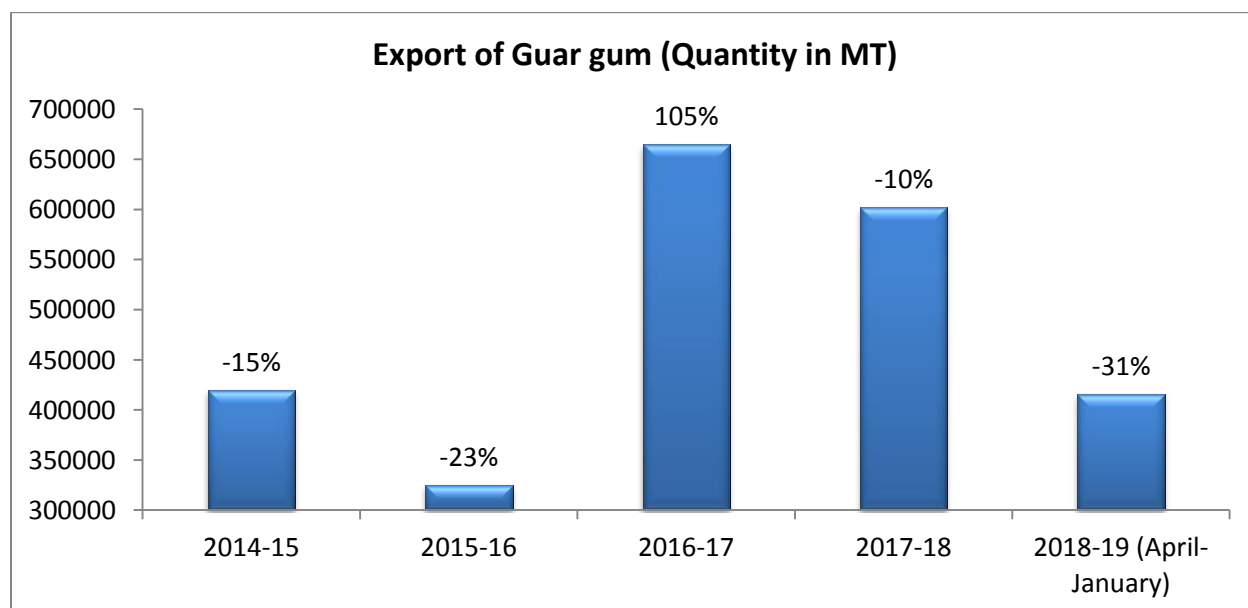
Source: Bakers Hughes

Here it is important to take a note of the guar gum-guar seed ratio as last year it witnessed a continuous decline since the start of the year from 2.16 to 1.98.



Source: Reuters & SMC Research

Also, the export demand for guar gum was hammered as a hydraulic fracturing agent dropped in recent times after crude oil prices started falling. Here is a snapshot:



Source: APEDA

Foresight

Coming to the fundamentals of guar, it is being anticipated that exports of the guar gum are likely to be higher in 2018-19. The demand for guar gum has started to rise as a hydraulic fracturing agent in the past few months increased after crude oil prices started increasing from \$45 a barrel in October to the current \$62 a barrel. Demand will definitely pick up if oil prices keep increasing. The market participants are optimistic about more orders to come from the food processing sector.

In latest news, a newer guar gum product has been developed & approved for large scale production of potash fertilizers to increase its stability providing better conditioning. It is reported that orders have been received for this new product & these orders are expected to execute during financial year 2019-20.

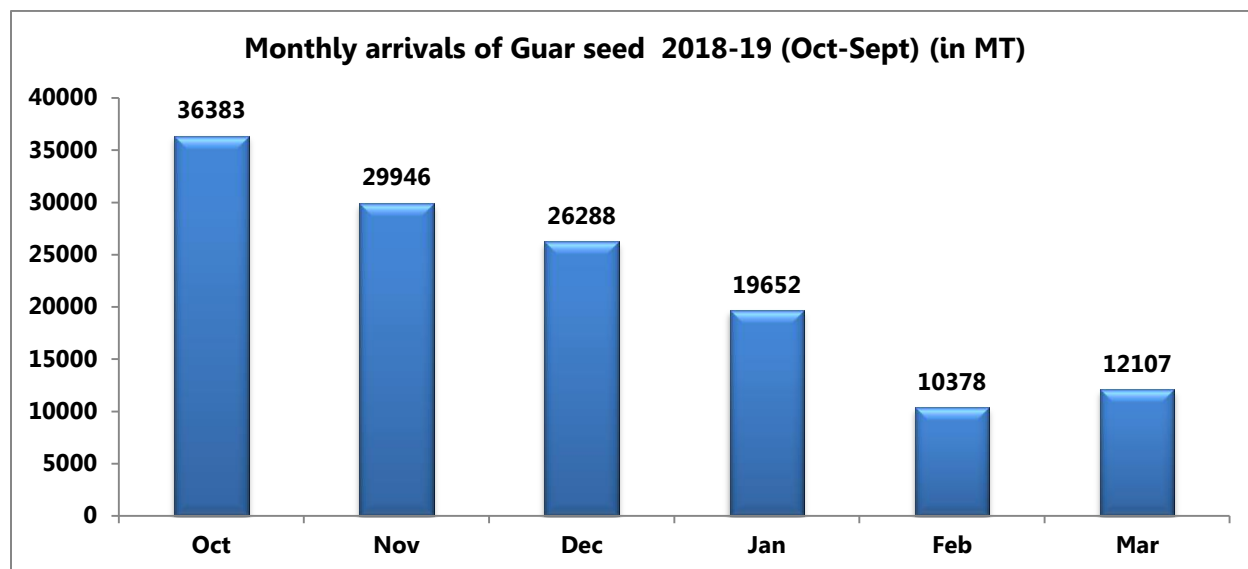
The future course of direction will depend on rains and crop planting, which will begin in summer. Guar being a rain-sensitive crop, adequate amount of rains is required for the crop. Prospects of lower production this year along with positive tone prevailing in crude Oil are expected to support guar/guar gum prices in upcoming sessions.

This year El Nino phenomenon may spell bad news for monsoons in India this year as it may intensify, according to latest weather forecast reports. El Nino is a natural phenomenon, wherein surface temperatures in the equatorial Pacific Ocean see an unusual rise. A moderate El Nino is classified when the sea surface warms between 0.5-0.8 degrees centigrade. But, so far, the temperatures have crossed the 0.5-degree threshold. Day's ahead, if the temperature rises further then we might see an evolving El Nino situation. Recently, the US National Oceanic and Atmospheric Administration (NOAA) said there is an 80 percent chance of El Nino prevailing in March-May, which will decrease to 60 percent during the June-August period.

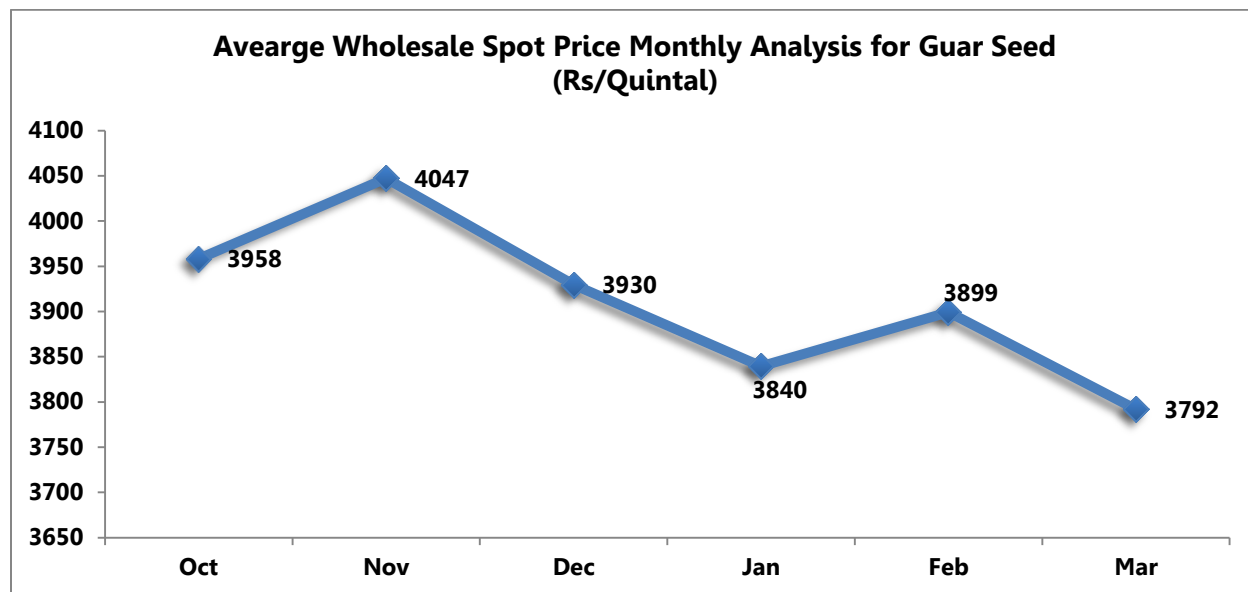
Domestic Guar Seed Supply & Demand Situation (Figures In Lakh Metric Tonnes)		
Particulars	2018-19	2017-18
Opening Stock	9.84	13.73
Production	9.68	10.51
Total Availability	19.52	24.24
Total Crushing	14.52	14.40
Carry Forward (Farmers and Traders Holdings)	5.00	9.84
Av Monthly Consumption	1.20	1.21
Stock to Month Use	8.20	4.13
Stock to Consumption Ratio	0.68	0.34

Source: Market estimates

Additionally, limited stocks and lower arrivals in mandis shall continue encouraging buyers to participate actively in futures or spot markets in upcoming days.

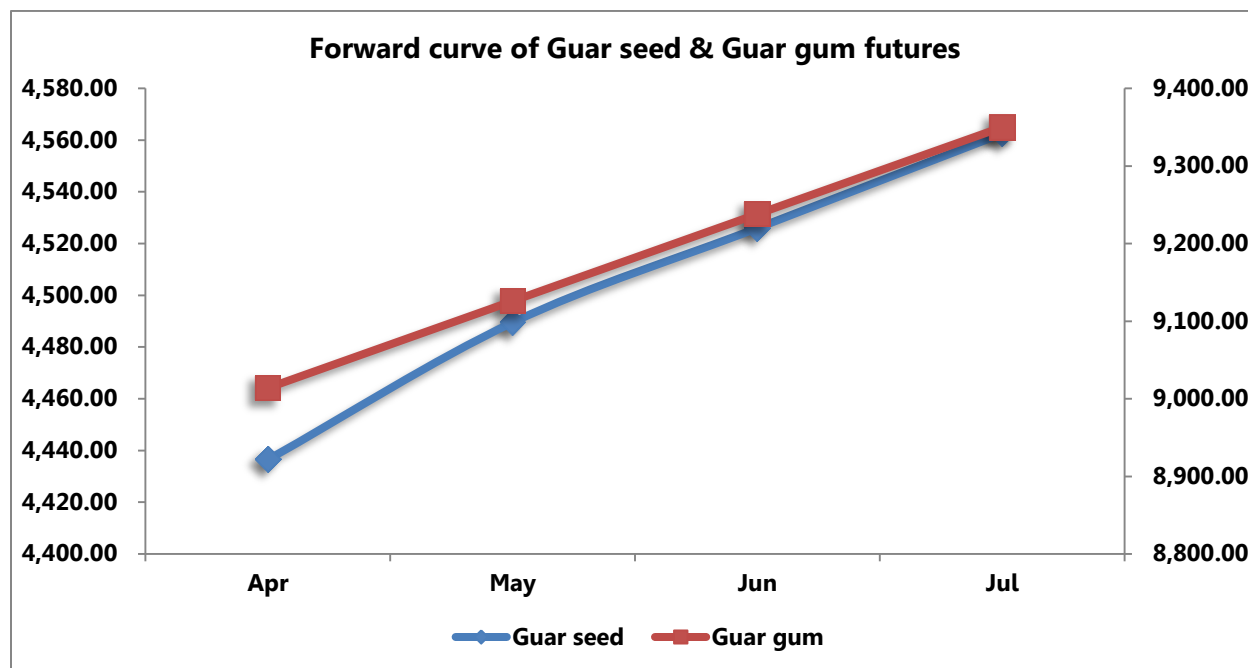


Source: Agmarknet



Source: Agmarknet

The forward curve shows that the far month contracts are in 'Contango'. In other words there is a bullish scenario for the guar complex.



Source: NCDEX

With Guar being used for oil drilling purpose, export demand from US is expected to rise on recovery in Crude Oil prices. The reason being, India's guar gum exports are likely to gain due to a rise in overseas demand, particularly from the US amid its standoff with China. US import of Chinese slick water, a substitute for guar gum in the shale oil industry, has become one of the victims of the two economies slapping duties on each other's products amid a trade war. (*Slick water, a substitute for guar gum, is a combination of water, chemicals, and sand that is injected into a crude oil well or natural gas well to reduce friction.*) Though both the countries have agreed on a truce, the higher tariff on slick water stands as it had been imposed at the beginning of impasse. Any clarity on how both the countries plan to rework their import tariffs would emerge only by then. Until then, the US would prefer to ship Indian guar gum to meet demand from its oil drilling industry.

Technical analysis & recommendation of Guar seed

On weekly charts, NCDEX Guar seed has formed an ascending channel pattern. After striking low of 4142 on Feb'2019, prices soar towards the falling trend-line. Price has given falling trend-line breakout on 22nd of Mar'19 and now approaching towards upper slope line 5075. Since Feb'19 price surged almost 8.5% as of 27th Mar'19. Furthermore, price has moved above the key 50 EMA after facing strong support at 100-200 EMA (4193.67 & 4167.83); which indicates more bullishness in the counter. MACD (moving average convergence divergence) histogram prints in the green with an upward sloping trajectory which further confirms the rise.

So, based on current structure, we expect a sharp rally in the counter towards 5075. But before that we might see a correction towards 4350 and this can be utilize as buying opportunity, eyeing a support level of 4150.



Source: Reuters & SMC Research

Technical analysis & recommendation of Guar gum

On weekly charts, NCDEX Guar gum has bounced from the rising trend-line after giving a false breakdown from rising channel. Based on current structure prices are trading well above the key averages 50,100 & 200 EMA; which indicates the bullishness for the counter. Moreover, MACD histogram also prints in green with an upward sloping trajectory which further confirms the rise. Break & sustain above 9100 levels can take the counter towards 10650-10680 levels whereas; the rising trend-line 8210 level can act as immediate support for the counter.

Correction within the channel is expected, any dip would consider as buying opportunity. Buying would be suggested in range of 8700-8750 with support of 8210.



Source: Reuters & SMC Research

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