

Chana futures technical analysis outlook and an outlook on the Indian Rupee.

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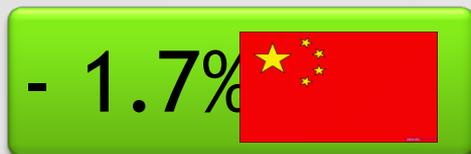
BRICS- Currency depreciation

Quote Currency	Rate as on	Rate as on	Percentage change
	1 st April, 2013	31 st August, 2013	
Indian Rupee	54.5050	67.0461	23.0
Brazilian Real	2.0190	2.3662	17.2
Indonesian Rupiah	9612	10923	13.6
Turkish Lira	1.8091	2.034	12.4
Philippine's Peso	40.8550	44.577	9.1
Russian Rouble	31.0093	33.2593	7.3
Mexican Peso	12.3178	13.3442	8.3
South African Rand	9.2252	10.3124	11.8
Chinese Yuan	6.1347	6.1636	0.5



BRICS- Currency situation in Feb 2014

Quote Currency	Rate as on 31st Aug 2013	Rate as on 15th Feb 2014	Percentage change
Indian Rupee	67.0461	62.2	-8%
Brazilian Real	2.3362	2.43	3.86%
Indonesian Rupiah	10923	11,820	7.58%
Turkish Lira	2.034	2.1875	7.02%
Phillioine's Peso	44.577	44.95	0.83%
Russian Rouble	33.2593	35.48	6.26%
Mexican Peso	13.3442	13.38	0.27%
South African Rand	10.31324	11.05	6.67%
Chinese Yuan	6.1636	6.06	-1.71%



Emerging market currency rout

- The connection between this FED tightening and this bout of currency depreciation has shown a spotlight on EM current account deficits.
- As Global credit conditions tighten, prospects of interest rate hikes in developed economies could dampen capital outflows bound for developing economies.

Rupee Woes

- RBI cut the limit of remittances made by resident individuals from USD 2,00,000 to USD 75,000 per financial year under the Liberalised Remittance Scheme. This was construed as capital control, which led to flight of capital and coupled with rising current account deficit.
- The emergence of an active Non Deliverable Forward market for the Rupee lead to the central bank left defending a falling Rupee single handedly.

Rupee Woes

- Falling exports, rising deficits and the burgeoning import bill and this combined with huge appetite by the consumers for gold led to increase in bullion imports.
- Inflation too remained and remains elevated.
- The central bank kept defending the currency unsuccessfully against speculators which put immense pressure on imports.

Britain's Black Wednesday

- The UK was hurt by the rapid depreciation of the US Dollar - a currency in which many British exports were priced.
- The UK's prime minister and cabinet members tried vehemently to prop up a sinking pound and withdrawal from the monetary system the country had joined two years prior was the last resort. Prime Minister Major raised interest rates to 10 % and authorised the spending of billions of pounds worth of foreign currency reserves to buy up the sterling being frantically sold on the currency markets but the measures failed to prevent the pound falling lower than its minimum level and eventually the exit from ERM.

Rupee depreciation arrested...for the time being!

- The central bank under the new governor Mr. Raghuram Rajan, a former Chief Economist at the IMF resorted to bring back confidence among overseas investors.
- Drastic steps taken to arrest the Rupee's fall were rolled back.
- Attracting FCNR (B) deposits thereby increasing inflows.
- Public sector oil companies who were the main buyers of dollars were asked to buy dollars directly from the RBI.

Indian economy

Third Quarter Review of Monetary Policy 2013-14 Released by Reserve Bank of India on 28th January 2014.

- Key short-term lending rate, Repo Rate hiked by 25 basis points to 8.00%.
- The Reverse Repo rate under the LAF stands adjusted at 7.00%.
- Marginal Standing Facility (MSF) rate & the Bank Rate adjusted to 9.00%.
- Cash Reserve Ratio (CRR) maintained at 4% of Net Demand and Time Liability (NDTL).
- Next policy review is scheduled on Tuesday, April 1, 2014.

For more details visit:
<http://rbi.org.in/scripts/Annualpolicy.aspx>



Challenges ahead- Election uncertainty

- Tapering has begun. Fears of withdrawal of monetary stimulus will still continue to hang over EM currencies in 2014.
- The two major political parties, the BJP and the Indian National Congress, both seem willing to implement market-friendly reforms, but neither is likely to form a decisive majority. As a result, they will have to negotiate with regional, mainly caste-based parties to pass structural reforms -- such as easing rules on foreign direct investment and overhauling the tax system -- that are essential to economic recovery.

Energy and bullion imports

- Energy consumption continues to grow at almost 10-15% every year.
- Presently, the energy import bill stands at \$170 Billion per annum.
- Bullion imports norms have been tightened subsequent to the sharp depreciation. Still bullion imports so far is about \$50 billion.

Indian economy- Positives

- The economy's unprecedented growth, especially in the second half of the past decade, along with strong economic fundamentals, enthuse optimism among economists and businesses the world over about its growth prospects.
- GDP growth rates are on a high growth trajectory, albeit with certain impediments on the horizon. An important characteristic of this high growth phase has been its resilience to shocks and considerable amount of stability. The careful pacing and sequencing of economic and financial reforms, complemented by the strength of domestic demand has enabled the economy to ward off the global financial crisis successfully.

Indian economy

Growth versus Inflation

GROWTH



- Modest improvement in growth is expected in H2 of 2013-14 following a rebound in agriculture and an improvement in exports
- However, a fuller recovery is likely to start taking shape towards the end of the fiscal year on the back of current steps to clear impediments that were stalling projects
- With deceleration in private consumption and fall in investment, overall demand conditions remain weak

INFLATION



- WPI inflation is ruling above RBI's comfort level and may remain range-bound around the current level during H2 of 2013-14. Moreover, the persistence of high CPI inflation remains a concern
- The good monsoon should have a salutary effect on food inflation, but second-round effects from already high food and fuel inflation could impart upside pressures on prices of other commodities and services

OTHER MACRO ASPECTS

- External sector risks have reduced as CAD is likely to moderate since Q2 of 2013-14. The trade balance has responded to the policy measures taken; exports have picked up and gold imports have declined
- Broad money growth is largely in line with RBI's indicative trajectory and credit growth has accelerated with greater recourse to bank finance by corporate
- While financial markets have rallied, near-term uncertainties on account of tapering continue to be a concern

The monetary policy will need to aim at anchoring inflation expectations while appropriately addressing growth risks

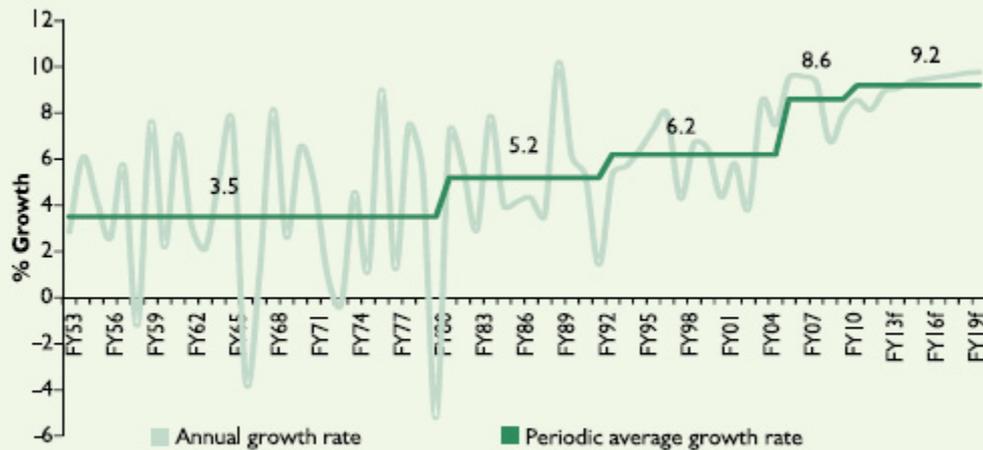
**RAGHURAM RAJAN,
GOVERNOR, RBI**

OVERALL OUTLOOK

- Monetary policy faces an unenviable task of anchoring inflation expectations amid tepid growth and weak business confidence. It is, therefore, important to craft policy responses so that growth concerns are addressed in an environment of stable prices
- With the normalisation of exceptional liquidity measures under way, incremental calibration of monetary policy will be shaped by changes in the growth-inflation balance keeping overall macroeconomic stability in consideration
- For supporting growth, complementary action aimed at productivity enhancement, structural reforms and quick project implementation will be needed

Indian economy

Chart I.1: Indian economy: a shift to high growth path (growth in real GDP)



India's GDP is expected to record an average growth of around 9.2% during FY11-FY20.

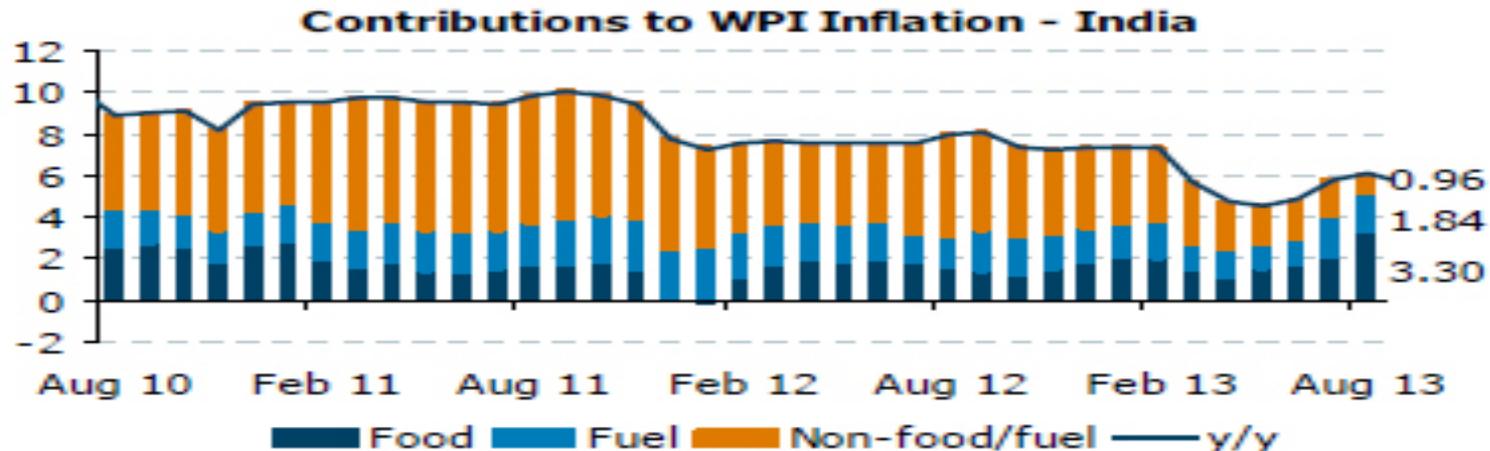
Note: Data from FY12-FY20 are D&B forecasts; GDP at FC Constant Prices (2004-2005 series)
Source: CSO, D&B India

India has been increasingly looked at as an engine that will drive global growth in future. This is reason enough to look at the economic prospects of India over the current decade. We feel there is the likelihood of India sustaining 9.0% growth during the current decade is very high.

Indian Inflation

Though inflation is persistent over the years, the rains this year have been above normal and record crops expected. This coupled with huge stocks of grains could help in reigning in on inflation.

FIGURE 2: FOOD IS STILL DRIVING INFLATION



Going forward

- The election remains the single most high event risk in the first half of 2014.
- Though the withdrawal of monetary stimulus has begun in 2014, the depreciation and the negative effects of the currency have been minimal due to change in fundamentals.
- Barring these short-term risks, long-term we expect Rupee to appreciate and by 2014 year-end our forecast is near INR 54/55 US\$.

Indian Rupee

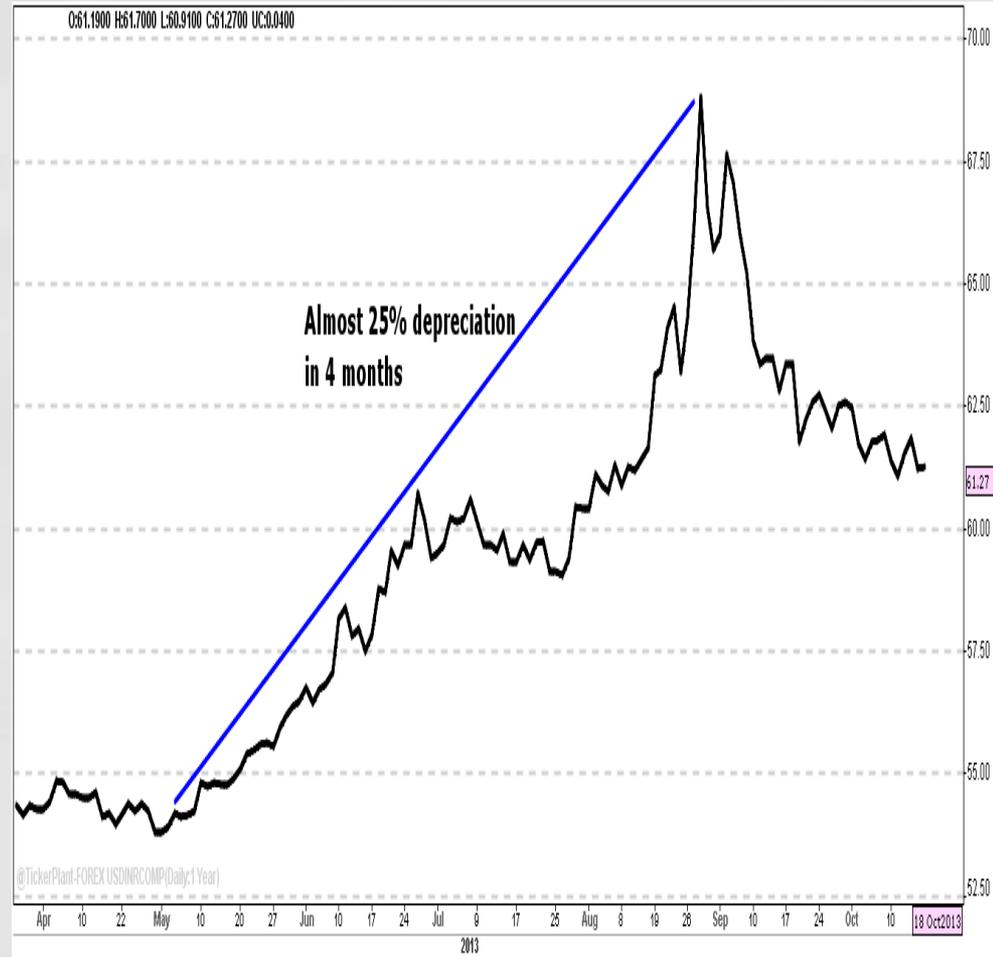
The Indian rupee touched a lifetime low of 68.85 against the US dollar on August 28, 2013. The rupee plunged by 3.7 % on the day in its biggest single-day percentage fall in more than two decades.

Since January 2013, the rupee has lost more than 25 % of its value, the biggest loser among the Asian currencies.



Indian Rupee – Price Forecast

- The Indian rupee could potentially hover in the 59.50-63.50 zone till May 2014.
- Post May Rupee could stabilize in the 58-62 range.
- Rupee could however, appreciate quite sharply in the Q3 and Q4 2014 and test 55 at least.



Chana futures price outlook

- Fundamental Assumptions

Chana futures price Outlook

Other Variables that can affect Chana Future prices

- Freight rates
- Bio-diesel demand could increase as crude prices are on the rise again.
- Global economic situation - Dollar strength could weaken commodities in general.

Technical Price outlook

Technical Scenarios- CHANA FUTURES

Technical analysis is nothing but studying price action closely as all the information both fundamental and otherwise is contained in the one variable called “Price”.

For a technical analyst price is the basic raw material.



Technical Price outlook

Technical Scenarios- CHANA FUTURES

CHANA futures are preparing itself to move higher. Presently, it is consolidating in a broad range from Jul 2013 to date.

What is interesting is the volumes peak as it reaches 2900-3000 per quintal range.



Technical Price outlook

Technical Scenarios- CHANA FUTURES

History repeats itself again and again:

What is more interesting is that a very similar pattern was seen back in 2007 to 2011 when prices were moving in a 2,000-2,800/qtl range.

We all know what happened subsequently.



Technical Price outlook

Technical Scenarios- CHANA FUTURES

Price forecast:

SCENARIO - 1

We expect prices to breakout higher of this broad range and test 3,500/ctl initially.

However, our technical target before Sept/Oct 2014 is 3,675-3700 / qtl.



Technical Price outlook

Technical Scenarios- CHANA FUTURES

Price forecast:

SCENARIO - 2

Unexpected fall below 2925 /qtl could dent our bullish view and drag prices lower towards 2500-2600/ Qtl from where support can be seen once again.

However, this is not our favored view!!

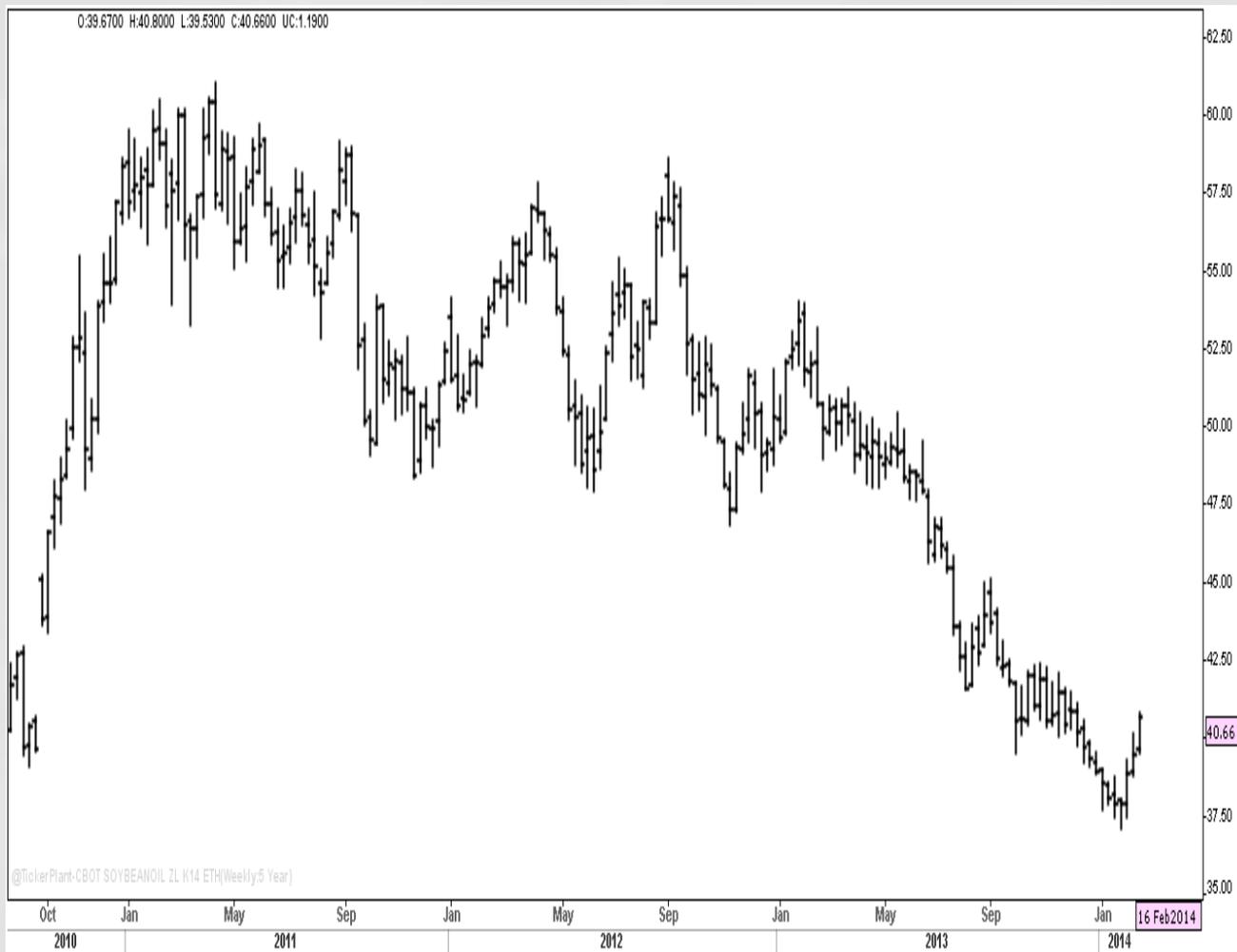


Technical Price outlook

Technical Scenarios- SOYOIL FUTURES

Very similar pattern was noticed in edible oil futures.

Fundamentals were extremely negative. However, prices pulled back 10% higher already in 2014 despite fundamentals remaining benign.



Chana futures Price Outlook

In Conclusion, we anticipate Scenario 1 unfolding in the months to come and see technical picture turning increasingly friendly and prices making multi-year highs, while fundamentals remain neutral.

THANK YOU!