

SUGAR

30th May 2006

SPOT MARKETS

Domestic sugar prices remained on an average steady during Monday's trade. Lower supplies amidst moderate demand kept the sugar prices steady to higher in North Indian states. Most of the mills are out of monthly quota and eyeing the allocation of June free sale quota for further direction. Meanwhile, Government is planning to have an import tariff rate quota (TRQ) of 1 million tonne sugar against a lower duty of 20 percent (from prevailing 60 percent) and a countervailing duty of Rs 850/tonne.

FUTURES MARKETS:

At the futures market the sugar futures at the NCDEX witnessed a sharply downward trade following a steady opening. Increased speculative selling interest has pressurised the futures throughout the day and the futures settled near day's low in final action. The near-month June contract hovered in the range of 1956.00-1994.00, while the July contract fluctuated in the range of 2021.00-2055.00 during Monday's trade.

PRICE DRIVERS:

1. Govt planning to have an import TRQ of 1 million tonne sugar against a lower duty of 20 percent
2. Pakistan likely to import Indian sugar to meet domestic shortage in next year too
3. Higher sugarcane output estimates for 2005-06
4. Early onset of SW Monsoon-2006

WEATHER

Rainfalls in parts of sugarcane growing regions would be beneficial for the sugarcane crop. Conditions became favourable for further advance of southwest monsoon over north Konkan including Mumbai around 1st June.

TECHNICALS

Candlesticks are indicating highly bearish pattern and steady to weak opening. Stochastic are moving upwards. Moving averages are still showing further downtrend. MACD as well as its EMA is in negative region. The futures are likely to trade moderately downwards following a steady to weak opening with possibility of some late upward movement.



SUPPORT / RESISTANCES:

Contract	S1	S2	PCP	R1	R2
NCDEX-Sugar M-June Contract	1945	1930	1959	1975	1989

TRADE RECOMMENDATION:

Buy NCDEX-June Sugar M below 1950 with **target** of 1965-1970. **Stop loss** at 1940.

Do not carry-forward the position until the next day.

Spot Market Prices

Rs./qtl

Origin/Grade	Center	29.05.06	27.05.06	Change
Ready Sugar (M Grade)	Delhi	2000-2060	2000-2060	-
Ready Sugar (S Grade)	Delhi	1980-2045	1980-2045	-
Mill Delivery	Delhi	1870-1915	1870-1915	-

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