

SUGAR

16th May 2006

SPOT MARKETS

At the domestic markets sugar prices witnessed a bearish sentiment at the start of this week. Lacklustre demand amidst moderate supplies have pressurised the physical market sentiments. Moreover, the continuous downtrend in futures market has also kept the sugar bulls under control. Meanwhile, Indian Sugar Exim Corporation has bagged a 100000 tons sugar import tender to Pakistan at \$518 per ton CNF Karachi.

FUTURES MARKETS:

At the futures market the sugar futures at the NCDEX extended the previous weakness further following a gapped down opening. The futures traded downwards on increased selling interest throughout the day and slid significantly to test fresh contract month lows in late action. The near-month May contract hovered in the range of 1917.00-1958.00, while the June contract fluctuated in the range of 2020.00-2064.00 during Monday's trade.

PRICE DRIVERS:

Bullish:

1. Indian firm bagged 100000 tons sugar export tender to Pakistan at \$518 per ton CNF Karachi

Bearish:

2. Higher free sale sugar quota for May
3. Govt revised up sugarcane and sugar output of 2005-06

WEATHER

Mainly dry weather is prevailing over most parts of the country. Frequent irrigation is required to avoid moisture stress in sugarcane crop of different growth stages. However, conditions have become favourable for onset of South West Monsoon over SE Bay of Bengal and Nicobar islands near its normal date.

TECHNICALS

Candlesticks are indicating a highly bearish pattern and weak opening. Stochastic are in oversold region and moving downward, hinting further downtrend. Moving averages are also indicating further downtrend. MACD is in negative region, supporting the medium-term weakness. The futures are likely to trade with a bearish sentiment. However, an upward technical correction is likely in the near-term.



SUPPORT / RESISTANCES:

Contract	S1	S2	R1	R2
NCDEX-Sugar M-June Contract	2010	1991	2045	2065

TRADE RECOMMENDATION:

Sell NCDEX-June Sugar M at 2025 with **target** of 2010. **Stop loss** at 2032.

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

Spot Market Prices

Rs./qtl

Origin/Grade	Center	15.05.06	13.05.06	Change
Ready Sugar (M Grade)	Delhi	2010-2075	2010-2080	-5
Ready Sugar (S Grade)	Delhi	1990-2060	1990-2065	-5
Mill Delivery	Delhi	1980-1950	1990-1960	-10

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