

SUGAR

31st May 2006

SPOT MARKETS

Domestic sugar prices witnessed a lacklustre trade with lack of any fundamental support. The prices stayed mostly at the previous levels at the physical markets amidst month-end activities. Traders are still waiting for the allocation of June free sale quota for further direction. Government has extended the validity period of May free sale quota upto 10th June for Maharashtra sugar mills only. 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 downward trade following a weak opening. Increased selling interest has pressurised the futures throughout the day. The futures finished much lower near day's low in final action. The near-month June contract hovered in the range of 1940.00-1960.00, while the July contract fluctuated in the range of 1999.00-2022.00.

PRICE DRIVERS:

1. Govt planning to have an import TRQ of 1 million tonne sugar against a lower duty of 20 percent
2. Higher sugarcane output estimates for 2005-06
3. Early onset of SW Monsoon-2006
4. Govt extended validity period of May free sale sugar quota for Maharashtra sugar mills only

WEATHER

Rainfalls in parts of sugarcane growing regions would be beneficial for the sugarcane crop. Conditions are favourable for further advance of southwest monsoon over remaining parts of North Interior Karnataka, some more parts of Konkan and parts of south Madhya Maharashtra during next 48 hours.

TECHNICALS

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



SUPPORT / RESISTANCES:

Contract	S1	S2	PCP	R1	R2
NCDEX-Sugar M-June Contract	1930	1910	1943	1970	1990

TRADE RECOMMENDATION:

Sell NCDEX-June Sugar M at 1950 with **target** of 1930. **Stop loss** at 1960.

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

Spot Market Prices

Rs./qtl

Origin/Grade	Center	30.05.06	29.05.06	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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