

SUGAR

18th May 2006

SPOT MARKETS

At the domestic markets sugar prices witnessed a range bound movement with a bearish sentiment during Wednesday's trade. At the Delhi market it was quoted mostly range bound with a bearish tone as against Tuesday. However, at the Muzaffarnagar market it was offered at an unchanged price, while at the Kolkata market it was traded at a lower price. Limited demand amidst higher supplies has pressurised the physical market sentiments. Moreover, the continuous downtrend in futures market has also underpinned the physical market activities.

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 and the futures slid to test fresh contract lows in late action. The near-month May contract hovered in the range of 1883.00-1945.00, while the June contract fluctuated in the range of 1995.00-2047.00 during Wednesday'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 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, Southwest monsoon has arrived over parts of southeast Bay, Nicobar Islands and south Andaman sea.

TECHNICALS

Candlesticks are indicating a bearish pattern and steady to weak opening. Stochastic are in oversold region and moving downward, hinting further downtrend. Moving averages are also supporting further downtrend. MACD is in negative region, showing the medium-term weakness. The futures are likely to trade slightly downwards following a steady to weak opening and upward thereafter.



SUPPORT / RESISTANCES:

Contract	S1	S2	PCP	R1	R2
NCDEX-Sugar M-June Contract	1990	1975	2011	2035	2050

TRADE RECOMMENDATION:

Buy NCDEX-June Sugar M at 2000 with **target** of 2025. **Stop loss** at 1988.

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

Spot Market Prices

Rs./qtl

Origin/Grade	Center	17.05.06	16.05.06	Change
Ready Sugar (M Grade)	Delhi	2010-2080	2010-2080	-
Ready Sugar (S Grade)	Delhi	1990-2065	1990-2065	-
Mill Delivery	Delhi	1990-1950	1990-1960	-10

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