

SUGAR

19th May 2006

SPOT MARKETS

At the domestic markets sugar prices remained on an average range bound during Thursday's trade. At the Delhi market it was quoted unchanged, while at the Muzaffarnagar and Kolkata market it was offered at a slightly lower price. Traders remained cautious about Government intervention incase of any spurt in sugar prices. Demand from bulk consumers were reported to be lower as weather remained cool following recent rainfalls in parts of Northern India. However, with enough free sale quota for May, supplies was cited higher in the markets.

FUTURES MARKETS:

At the futures market the sugar futures at the NCDEX witnessed a slightly upward trade following a higher opening. However, increased speculative selling interest has pressurised the futures thereafter and the futures settled mostly unchanged in final action. The near-month May contract hovered in the range of 1896.00-1925.00, while the June contract fluctuated in the range of 1998.00-2022.00 during Thursday'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. Southwest monsoon has further advanced into some parts of southwest Bay and some more parts of southeast Bay and most parts of Andaman Sea.

TECHNICALS

Candlesticks are indicating a trend reversal pattern and steady to firm opening. Stochastic are in oversold region and hinting upward correction shortly. Moving averages are indicating further downtrend. MACD is in negative region, supporting the medium-term weakness. The futures are likely to trade moderately upwards following a steady to firm opening.



SUPPORT / RESISTANCES:

| Contract | S1 | S2 | PCP | R1 | R2 |
|-----------------------------|------|------|------|------|------|
| NCDEX-Sugar M-June Contract | 1990 | 1975 | 2009 | 2035 | 2050 |

TRADE RECOMMENDATION:

Buy NCDEX-June Sugar M at 2005 with **target** of 2030. **Stop loss** at 1993.

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

Spot Market Prices

Rs./qtl

| Origin/Grade | Center | 18.05.06 | 17.05.06 | Change |
|-----------------------|--------|-----------|-----------|--------|
| Ready Sugar (M Grade) | Delhi | 2010-2080 | 2010-2080 | - |
| Ready Sugar (S Grade) | Delhi | 1990-2065 | 1990-2065 | - |
| Mill Delivery | Delhi | 1900-1950 | 1900-1950 | - |

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