

SUGAR

22nd May 2006

SPOT MARKETS

At the domestic markets sugar prices witnessed a range bound trade with a bearish undertone at the weekend. At the Delhi and Muzaffarnagar market it was quoted marginally lower as against Friday. However, at the Kolkata market it was offered at a slightly higher price. Activity was lower at the weekend. Moreover, demand was not as per expectations and with a good supply situation sugar prices remained soft at the markets. The downtrend in sugar futures prices has also kept the physical market under pressure.

FUTURES MARKETS:

At the futures market the sugar futures at the NCDEX witnessed a downward trade following a weak opening initially. Though the futures curbed some of the losses later in the session, but finished with losses in final action. The near-month June contract hovered in the range of 1975.00-2012.00, while the July contract fluctuated in the range of 2045.00-2078.00 during Saturday'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. Fairly widespread rainfall /thundershowers activity over Andaman & Nicobar Islands is likely to continue. Rainfall/thundershower activity over northeastern states likely to increase.

TECHNICALS

Candlesticks are indicating a bearish pattern and steady to weak opening. Stochastic are in oversold region and hinting upward correction soon. Moving averages are still indicating further downtrend. MACD is in negative region, supporting the medium-term weakness. The futures are likely to trade with a bearish sentiment in the coming days. However, some recovery from the recent lows is expected.



SUPPORT / RESISTANCES:

Contract	S1	S2	PCP	R1	R2
NCDEX-Sugar M-June Contract	1975	1960	1988	2010	2025

TRADE RECOMMENDATION:

Sell NCDEX-June Sugar M at 2010 with **target** of 1985. **Stop loss** at 2022.

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

Spot Market Prices

Rs./qtl

Origin/Grade	Center	20.05.06	19.05.06	Change
Ready Sugar (M Grade)	Delhi	2010-2075	2010-2080	-5
Ready Sugar (S Grade)	Delhi	1990-2060	1990-2065	-5
Mill Delivery	Delhi	1890-1940	1890-1940	-

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