

SUGAR

01st June 2006

SPOT MARKETS

Sugar prices remained on an average range bound amidst month-end activities. Traders preferred to be on the sideline before the June quota started rolling into the market. Notably, 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 sharply downward trade following a weak opening initially. However, the futures find some buying support at the lower levels and tested day's high at mid-session. Profit taking at the higher levels capped further advances and the futures settled near day's low in final action. The near-month June contract hovered in the range of 1913.00-1945.00, while the July contract fluctuated in the range of 1970.00-1998.00.

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. Southwest monsoon has further advanced into some more parts of Konkan, North Interior Karnataka, Coastal Andhra Pradesh and parts of south Madhya Maharashtra remaining parts of Ravalaseema

TECHNICALS

Candlesticks are indicating highly bearish pattern and weak opening. Stochastic has made a bearish crossover in oversold region. Moving averages are showing further downtrend. MACD as well as its EMA is supporting the weakness. The futures are likely to trade downwards following a weak opening initially and upwards thereafter.



SUPPORT / RESISTANCES:

Contract	S1	S2	PCP	R1	R2
NCDEX-Sugar M-June Contract	1900	1885	1917	1933	1950

TRADE RECOMMENDATION:

Sell NCDEX-June Sugar M at 1925 with **target** of 1900. **Stop loss** at 1937.

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

Spot Market Prices

Rs./qtl

Origin/Grade	Center	31.05.06	30.05.06	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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