

SUGAR

20th May 2006

SPOT MARKETS

At the domestic markets sugar prices extended previous weakness further during Friday's trade. At the Delhi, Muzaffarnagar and Kolkata market it was quoted on an average lower as against Thursday. Millers as well as resellers quoted lower prices amidst lack of buying support. Demand from bulk consumers were reported to be lower as mercury started dipping following recent rainfalls in parts of Northern India. However, with enough free sale quota for May, supplies remained higher in the markets. The spillover weakness from futures market has also pressurised the physical market sentiments.

FUTURES MARKETS:

At the futures market the sugar futures at the NCDEX witnessed some upward trade following a steady to firm opening initially. However, the futures pared the early advances later and finished with some losses. The May contract slid to much lower level ahead of its expiry in final action. The near-month May contract hovered in the range of 1852.00-1908.00, while the June contract fluctuated in the range of 2002.00-2019.00 during Friday'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 & southeast Bay and Andaman Sea.

TECHNICALS

Candlesticks are indicating a slightly bearish pattern and steady to weak 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 slightly downwards initially following a steady to weak opening and upward thereafter.



SUPPORT / RESISTANCES:

Contract	S1	S2	PCP	R1	R2
NCDEX-Sugar M-June Contract	1990	1975	2007	2030	2045

TRADE RECOMMENDATION:

Buy NCDEX-June Sugar M at 2000 with **target** of 2020. **Stop loss** at 1990.

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

Spot Market Prices

Rs./qtl

Origin/Grade	Center	19.05.06	18.05.06	Change
Ready Sugar (M Grade)	Delhi	2010-2080	2010-2080	-
Ready Sugar (S Grade)	Delhi	1990-2065	1990-2065	-
Mill Delivery	Delhi	1890-1940	1900-1950	-10

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