

SUGAR

17th June 2006

SPOT MARKETS

At the domestic sugar markets weak sentiments were observed today. The Delhi market witnessed a significant fall in prices from the previous day's close. Delhi market is getting sugar at much cheaper rates from sugar mills in Western UP. In UP 2% entry load is there, and this is the main reason why sugar at Muzaffarnagar market is delivered at higher prices than at Delhi center. The demand in western UP is virtually nil and the sugar trading is in cool phase in this summer hot season. The sugar futures prices up to October/November are ruling below the current spot prices signaling little improvement in the market sentiments in coming days. It is worth mentioning that sugar prices are quite reasonable from consumer point of view these days.

FUTURES MARKETS:

At the futures market the sugar futures at the NCDEX witnessed downward trade following a weak opening. Profit booking capped the advances and the prices closed on lower side in final action. The NCDEX July Sugar contract hovered in the range of 1951-1966 while the August contract fluctuated in the range of 1971-1985 during Friday.

PRICE DRIVERS:

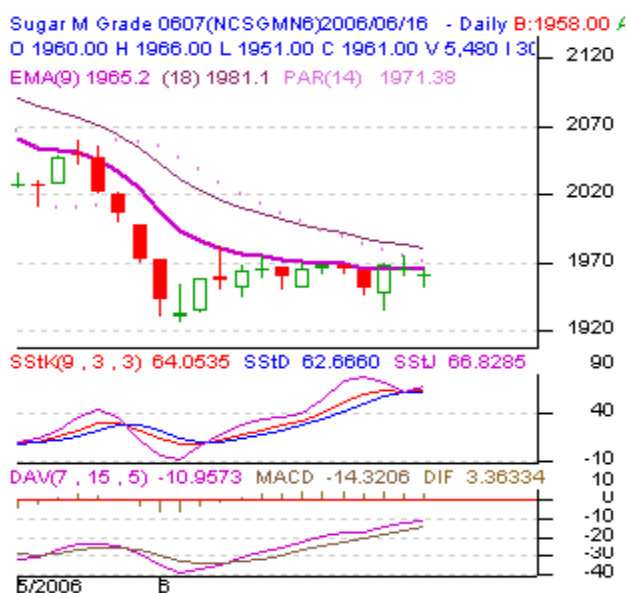
1. Weak demand and sufficient supply at the spot market
2. Higher sugar production estimates
3. Higher cane production estimates
4. June quota selling pressure in the spot market

WEATHER

Weak monsoon conditions with subdued rainfall activity still continue to prevail over south Peninsula and east India. Fairly widespread rainfall activity has occurred over northeastern States with isolated heavy falls. This activity is likely to continue for next 2-3 days. Isolated duststorm/thunderstorm over the plains of northwest India are expected. Sugarcane crop will withstand under the prevailing weather conditions with a few protective irrigation if needed.

TECHNICALS

Candlesticks are indicating indecisiveness because of Doji formation. The July contract stated with weak opening today. Stochastic are moving upwards. Moving averages are still showing further downtrend. MACD has made a bullish crossover with its EMA in negative region. Volume declined considerably while open interest increased on Friday's as against Thursday's trade. The futures are likely to trade slightly downwards.



SUPPORT / RESISTANCES:

Contract	S1	S2	PCP	R1	R2
NCDEX-Sugar M-July Contract	1948	1940	1961	1970	1974

TRADE RECOMMENDATION:

Sell NCDEX- July Sugar M near 1962 with **target** of 1952, **Stop loss** at 1967. Do not carry-forward the position until the next day.

Spot Market Prices

Rs./qtl

Origin/Grade	Center	16.06.06	15.06.06	Change
Ready Sugar (M Grade)	Delhi	1940-1970	1975-1990	-20
Ready Sugar (S Grade)	Delhi	1925-1955	1960-1975	-20
Mill Delivery	Delhi	1860-1890	1890-1900	-10

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