

## SUGAR

02<sup>nd</sup> June 2006

### SPOT MARKETS

Sugar prices stayed at their previous levels amidst limited trading activity. Being the first day of the month, the supplies were poor amidst lacklustre trade. The spillover weakness from the futures market has also pressurised the physical market sentiments. Government has released 13 lakh tonnes as free sale quota for June and directed the mills to sell the same within the month. Notably, Government has earlier extended the validity period of May free sale quota upto 10<sup>th</sup> June for Maharashtra sugar mills only.

### FUTURES MARKETS:

At the futures market the sugar futures at the NCDEX witnessed a sharply downward trade following a steady opening initially. Increased selling interest has pressurised the futures throughout the day. However, the futures recovered some losses in final action on some buying support. The near-month June contract hovered in the range of 1887.00-1922.00, while the July contract fluctuated in the range of 1930.00-1972.00 during Thursday's trade.

### 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 released 13 lakh tonnes as June free sale quota

### WEATHER

Rainfalls in parts of sugarcane growing regions would be beneficial for the sugarcane crop. Southwest monsoon has further advanced into remaining parts of Konkan. Conditions are now favourable for its further advance into southern parts of Gujarat State during next 24 hours.

### TECHNICALS

Candlesticks are indicating likely trend reversal pattern and steady opening. Stochastics are moving downwards in oversold region. Moving averages are showing further downtrend. MACD as well as its EMA is supporting the weak market sentiment. The futures are likely to trade moderately upwards initially following a steady opening with possibility of some late downward movement.



### SUPPORT / RESISTANCES:

Contract	S1	S2	PCP	R1	R2
NCDEX-Sugar M-June Contract	1885	1870	1903	1930	1946

### TRADE RECOMMENDATION:

**Buy** NCDEX-June Sugar M at 1895 with **target** of 1925. **Stop loss** at 1880.

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

### Spot Market Prices

Rs./qtl

Origin/Grade	Center	01.06.06	31.05.06	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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