

SUGAR

19th June 2006

SPOT MARKETS

The domestic sugar markets are continuously showing week sentiments. The sugar prices at Delhi and Muzaffarnagar were quoted low as against yesterday. However, Kolkata market witnessed slight improvement. The demand is still not gaining momentum in the expectation of further fall in the spot as well as futures sugar prices as the sugar mills seems to be in hurry to dispose off their allotted quota of June and avoid more losses. The sign of trend reversal is still not there in the sugar market. The latest sowing progress of sugarcane this season is about 44.15 lakh ha as on 12th June, as against 41.26 lakh ha same period last year. Normal area under sugarcane is 43 lakh ha. Increase in acreage under cane in percentage over last year in the states like Tamil Nadu is about 49.4%, Punjab 30.2%, AP 19.1%, Karnataka 10.5%, Bihar 8.7%, Maharashtra 4.0 % (as of 12th June 2006). All these factors are indicative of the good production prospects of sugar in near future. Keeping all these factors in mind, sugar prices are expected to hover in a narrow range with a bearish undertone in near future.

FUTURES MARKETS:

The domestic sugar futures at the NCDEX opened steady in the morning and the downtrend continued till the end of the day. The NCDEX July Sugar contract hovered in the range of 1945-1961 while the August contract fluctuated in the range of 1972-1977 during Saturday.

PRICE DRIVERS:

1. Higher sugar supply in the spot market
2. Higher sugar production estimates
3. Higher cane production estimates
4. Weak sentiments in the futures market

WEATHER

There are favorable signals of revival of southwest monsoon activity over the south peninsula around 19th. Duststorm/Thunderstorm with isolated squall are likely at a few places over plains of northwest India. Few protective irrigation may be given if needed so.

TECHNICALS

At the futures market the sugar futures at the NCDEX witnessed a highly bearish sentiment following a steady opening. The futures witnessed continuous decline throughout the day and closed far below the previous day close. Moving averages show downtrend. MACD has made a bullish crossover with its EMA in negative region. Volume declined while open interest slightly increased on Saturday as against Friday's trade. The futures are likely to trade further downwards.



SUPPORT / RESISTANCES:

| Contract | S1 | S2 | PCP | R1 | R2 |
|-----------------------------|------|------|------|------|------|
| NCDEX-Sugar M-July Contract | 1931 | 1928 | 1945 | 1960 | 1965 |

TRADE RECOMMENDATION:

Sell NCDEX- July Sugar M near 1950 with **target** of 1937, **Stop loss** at 1956. 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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