

## SUGAR

22<sup>nd</sup> June 2006

### SPOT MARKETS

The domestic sugar market remained weak on Wednesday as the major markets at Delhi, Muzaffarnagar and Kolkata witnessed a downward movement in prices. Traders believe that high supply and poor demand is the main reason behind the crash in the prices. Government is closely watching the price hike of the essential commodities and may take necessary action in this regard. This has worried the hoarders and they have become the desperate sellers, which is resulting in the downward movement of price. Overall sentiments of the spot market are expected to remain weak until some enthusiastic news comes in the market.

### FUTURES MARKETS:

The sugar futures at the NCDEX also followed the bearish pattern of the spot markets. Very small range bound trade was observed on the Wednesday. Overall, in all the futures contracts the similar downward trend was observed. Sugar futures prices are not getting momentum, as the spot market is also very weak and not showing any sign of trend reversal. The NCDEX July Sugar contract hovered in the range of 1907-1932 while the August contract fluctuated in the range of 1936-1960 during Wednesday. The futures market is expected to witness steady to weak sentiments in the coming days.

### PRICE DRIVERS:

1. Desperate selling at spot market
2. Higher sugar production estimates
3. Bearish sentiments in the spot and futures market
4. Nearing of monsoon
5. Fear of more free sale quota for the July

### WEATHER

Weather conditions are indicating the favourable conditions for revival of southwest monsoon activity. The rains have brought down the temperature to little bit down. The rain showers in some part of the sugarcane growing areas have benefited the crop as it has reduced some irrigation cost.

### TECHNICALS

At the end of the day, long red candlestick indicates that the Bears controlled the ball (trading) for most of the game and put the cap on the upper movement of the price. EMA is above the price line indicating the bearish sentiments in the market. DAV is moving more farther from the MACD after making a bearish cross over. %K line is below the % D line in the neutral zone. Volume decreased significantly while open interest slightly increased on Wednesday's trade.



### SUPPORT / RESISTANCES:

Contract	S1	S2	PCP	R1	R2
NCDEX-Sugar M-July Contract	1895	1885	1909	1928	1940

### TRADE RECOMMENDATION:

**Sell** NCDEX- July Sugar M near 1915 with **target** of 1900 **Stop loss** at 1922. Do not carry-forward the position until the next day.

### Spot Market Prices

Rs./qtl

Origin/Grade	Center	21.06.06	20.06.06	Change
Ready Sugar (M Grade)	Delhi	1915-1950	1905-1955	-05
Ready Sugar (S Grade)	Delhi	1900-1935	1885-1940	-05
Mill Delivery	Delhi	1830-1865	1820-1870	-05

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