

SUGAR

23rd June 2006

SPOT MARKETS

The domestic sugar market witnessed a range bound trade with a bearish undertone as the sugar market at Delhi, Muzaffarnagar and Kolkata witnessed a downward movement in prices. To add their woe, Government announced that it might allow private players to limited import of sugar under Tariff Rate Quota to curb the sugar prices. The news badly affected the market sentiments both at spot and futures market. The sugar market is expected to follow further downward movement.

FUTURES MARKETS:

The sugar futures at the NCDEX also witnessed the bearish pattern as it was also waiting for the news of the cabinet meeting on prices and showed its reaction in the form of downward price movement. The NCDEX July Sugar contract hovered in the range of 1892-1919 while the August contract fluctuated in the range of 1912-1944 during Thursday. The futures market is expected to witness steady to weak sentiments in the coming days.

PRICE DRIVERS:

1. Govt. intension to import of sugar under Tariff Rate Quota Principle (TRQ)
2. More sugar availability at the domestic market
3. Bearish sentiments in the spot and futures market
4. Nearing of monsoon
5. Fear of more free sale quota for the July

WEATHER

SW monsoon has revived over south Peninsular India. Monsoon activity is likely to pickup over Peninsular India and conditions are favourable for further advance of the southwest monsoon into remaining parts of MH, AP and parts of Chattisgarh during next 2 days. Northern India is still awaiting the arrival of the monsoon. The sugarcane crop will need some protective irrigation till the arrival of the monsoon.

TECHNICALS

The July sugar futures, after making a gap opening on lower side, closed very low amidst Government announcement regarding sugar import possibility. Bears did not allow the bulls to capture the market as could be seen from the red candlestick formation at the end of the day. The gap between DAV and MACD further widened indicating a firm bearish trend. %K line is below the % D line in the neutral zone. Volume increased while open interest slightly decreased indicating the weakness in the market.



SUPPORT / RESISTANCES:

Contract	S1	S2	PCP	R1	R2
NCDEX-Sugar M-July Contract	1878	1872	1892	1910	1920

TRADE RECOMMENDATION:

Sell NCDEX- July Sugar M near 1898 with **target** of 1882 **Stop loss** at 1905. Do not carry-forward the position until the next day.

Spot Market Prices

Rs./qtl

Origin/Grade	Center	22.06.06	21.06.06	Change
Ready Sugar (M Grade)	Delhi	1905-1940	1915-1950	-15
Ready Sugar (S Grade)	Delhi	1890-1925	1900-1935	-15
Mill Delivery	Delhi	1820-1855	1830-1865	-15

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