

## SUGAR

5<sup>th</sup> June 2006

### SPOT MARKETS

At the domestic market sluggish buying interest seen in the Muzaffarnagar and Delhi market. Though at Muzaffarnagar and Kolkata spot prices were quoted higher than yesterday's price. Sugar prices remained on average range bound during Saturday's trade. Demand from retail customers as well as bulk consumers is likely to remain high during summer period, that may eventually support the sugar prices in near-term.

### FUTURES MARKETS:

At the futures market the sugar futures at the NCDEX witnessed an upward trade following a firm opening. Increased buying interest has supported the futures throughout the day. The June futures settled at day's high in final action indicating bullish sentiments in the market. Today's increased buying interest eased the yesterday's pressure in sugar futures. The near-month June contract hovered in the range of 1900-1922, while the July contract fluctuated in the range of 1933-1959 during Saturday's trade.

### PRICE DRIVERS:

1. Bullish sentiments in the futures market
2. Govt release of free sale sugar quota for June
3. Higher sugarcane output estimates for 2005-06
4. Sugar shortage in Bangladesh
5. Govt intension to import TRQ of 1 million tonne sugar against a lower duty of 20 percent
6. Govt extended the validity period of May free sale sugar quota upto 10<sup>th</sup> June for Maharashtra sugar mills only

### WEATHER

Prevailing rainfalls in parts of sugarcane growing regions would be beneficial for the sugarcane crop. On the one hand it would help in avoiding moisture stress thus reducing the irrigation requirement, on the other, it will reduce the severity of top shoot borer infestation, thus creating a favourable production environment.

### TECHNICALS

Strong improvement could be noticed as witnessed by opening bozu by candlestick formation with firm opening. Price line is ruling over the EMA indicating firmness in the market. %K line is above the % D line with the formation of kicking pattern indicating firmness. MACD is in positive territory and moving with positive divergence indicating strength in the market. Volume declined marginally while open interest increased slightly.



### SUPPORT / RESISTANCES:

Contract	S1	S2	PCP	R1	R2
NCDEX-Sugar M-June Contract	1913	1898	1922	1935	1938

### TRADE RECOMMENDATION:

**Buy** NCDEX-April Sugar M near 1923 with **target** of 1934 **Stop loss** at 1918

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

### Spot Market Prices

Rs./qtl

Origin/Grade	Center	03.06.06	02.06.06	Change
Ready Sugar (M Grade)	Delhi	1990-2050	1990-2050	-
Ready Sugar (S Grade)	Delhi	1970-2035	1970-2035	-
Mill Delivery	Delhi	1860-1905	1860-1905	-

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