

SUGAR

16th June 2006

SPOT MARKETS

Weak sentiments were observed on the Thursday's trading in the domestic sugar market. At the Muzaffarnagar, Delhi and Kolkata market it was offered at lower prices as against Wednesday. Weak demand and sufficient supply kept the market quiet and forced it to trade on lower prices. The latest industry estimates of about 19.5 million tones of sugar production have also added to weak sentiments of the traders. The June free quota is to be finished by the end of this month and the sufficient demand was not emerging at the previously high prices, the sugar suppliers are compelled to offer it at lower prices. Further, the low June futures prices have also helped to bring spot prices down.

FUTURES MARKETS:

The domestic sugar futures at the NCDEX opened firmly but could not sustain later on due to profit booking at these levels. By the end of the day prices reached near the opening prices amidst high selling activities and closed on lower side. The NCDEX July Sugar contract hovered in the range of 1960-1975 while the August contract fluctuated in the range of 1978-1991 during Thursday.

PRICE DRIVERS:

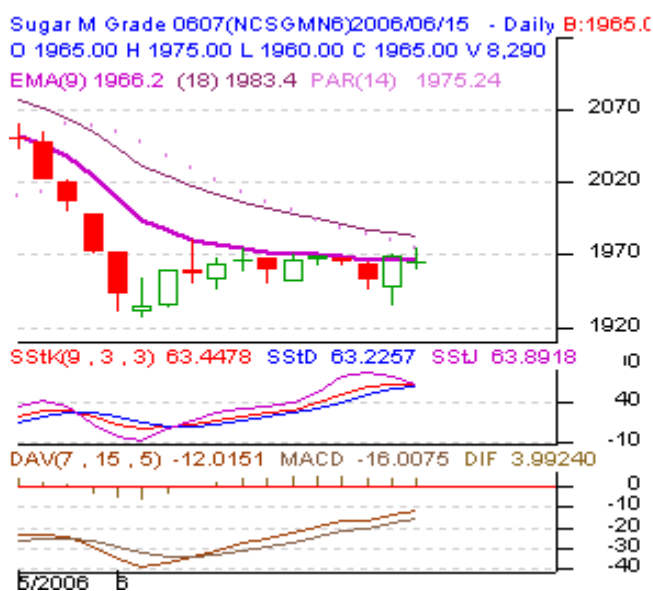
1. Industry estimates of sugar output about 19.5 million tones for current year.
2. Sufficient stock position at the spot market.
3. Higher acreage estimates under sugarcane planting.
4. June quota selling pressure in the spot market

WEATHER

Weak monsoon conditions with subdued rainfall activity are likely over most parts of the country. Rise in day temperatures likely over northwest, central and eastern India due to subdued rainfall activity. Sugarcane crop will well survive under the prevailing weather conditions.

TECHNICALS

The sugar July futures at the NCDEX witnessed slight downward movement on Thursday. Doji candlestick formation was observed indicating indecisiveness in the futures market. Volume declined considerably while open interest slightly increased on Thursday as against Wednesday's trade. The July futures is likely to witness slightly bearish trend amidst news of higher sugar output estimates of about 19.5 million tones by the industry.



SUPPORT / RESISTANCES:

Contract	S1	S2	PCP	R1	R2
NCDEX-Sugar M-July Contract	1948	1936	1965	1978	1982

TRADE RECOMMENDATION:

Sell NCDEX- July Sugar M near 1963 with **target** of 1953, **Stop loss** at 1968. Do not carry-forward the position until the next day.

Spot Market Prices

Rs./qtl

Origin/Grade	Center	15.06.06	14.06.06	Change
Ready Sugar (M Grade)	Delhi	1975-1990	1980-2000	-10
Ready Sugar (S Grade)	Delhi	1960-1975	1965-1985	-10
Mill Delivery	Delhi	1890-1900	1890-1910	-10

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