

SUGAR

20th June 2006

SPOT MARKETS

The spot market witnessed a poor demand despite the reasonable fall in sugar prices in the last week. The stockiest and bulk buyers are still waiting for some more downward movement in sugar prices in near future, as there are some sign of monsoon revival in few days. The sugar prices at Delhi, Muzaffarnagar and Kolkata market hovered in a range bound fashion and remained low as against Saturday. This weak trend is expected to continue in the coming days also.

FUTURES MARKETS:

The domestic sugar futures at NCDEX made a gap opening on lower side in July contract. The situation did not improve whole day amidst high selling pressure in the futures market. The futures market also did not get good signal from the spot markets, which also witnessed a very thin trade and sugar prices at all the major mandis dropped down as buying is still not emerging at the prevailing prices. The NCDEX July Sugar contract hovered in the range of 1925-1944 while the August contract fluctuated in the range of 1956-1972 during Monday.

PRICE DRIVERS:

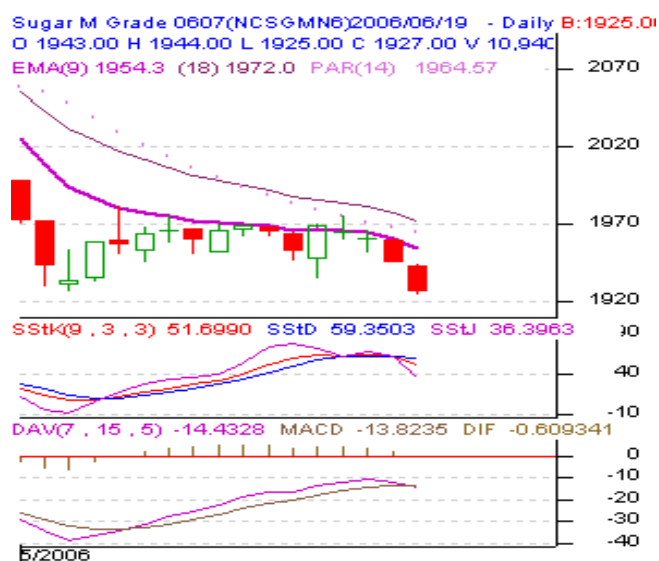
1. Lackluster demand in the spot market
2. Hefty supply in spot market
3. Higher sugar and sugar cane production estimate
4. Weak futures markets sentiments
5. Monsoon revival news

WEATHER

Signals continue to be favourable for revival of southwest monsoon activity over the south peninsula after next 2-3 days. However, it is not likely to revive during next 7 days over northern, central and western parts of India. Sugarcane farmers of these areas are advised to do some protective irrigation to the crop to avoid losses due to moisture stress.

TECHNICALS

Following the previous week trend, NCDEX sugar futures continued to decline on the very first day of the week amidst very low demand and large selling pressure. The EMA is below the price line showing a bearish trend. % K line is below the % D line in the neutral zone which further confirm the weak sentiments in the futures market. DAV is moving downward after making a bearish cross over to MACD showing bearish market sentiments. Volume increased significantly while open interest slightly increased on Monday's trade.



SUPPORT / RESISTANCES:

Contract	S1	S2	PCP	R1	R2
NCDEX-Sugar M-July Contract	1908	1902	1927	1947	1951

TRADE RECOMMENDATION:

Sell NCDEX- July Sugar M near 1925 with **target** of 1912, **Stop loss** at 1931. Do not carry-forward the position until the next day.

Spot Market Prices

Rs./qtl

Origin/Grade	Center	19.06.06	17.06.06	Change
Ready Sugar (M Grade)	Delhi	1935-1965	1940-1970	-05
Ready Sugar (S Grade)	Delhi	1920-1950	1925-1955	-05
Mill Delivery	Delhi	1850-1880	1860-1890	-10

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