

SUGAR

3rd June 2006

SPOT MARKETS

The sugar spot markets continued to trade weak below the previous level amidst limited trading activity. Supplies remained low amidst lack of selling by the millers, as they are not getting parity into the market. Release of 13 lakh tonnes of free sale quota by the Government for June will further influence the market direction in this month. Weak futures market has also added to the nervousness in the spot market.

FUTURES MARKETS:

Sugar futures at the NCDEX observed mixed sentiments throughout the day. Initially the sentiments tried to recap the previous day losses but later half of the session witnessed decline on speculative selling. Selling pressure forced the market to hover in the range of 1890-1913 in June contract, while the July contract fluctuated in the range of 1927-1954 during Friday's trade.

PRICE DRIVERS:

1. Govt planning to have an import TRQ of 1 million tonne sugar against a lower duty of 20 percent
2. Good production estimates for 2005-06
3. Good monsoon expectations for 2006 and its likely effect on sugar storage
4. Govt released 13 lakh tonnes as June free sale quota

WEATHER

Rainfalls in parts of sugarcane growing regions would be beneficial for the sugarcane crop. Southwest monsoon has further advanced into remaining parts of Konkan. Conditions are now favourable for its further advance into

TECHNICALS

Prices improved slightly after a weak opening. Candlesticks formed spinning top pattern, which indicates indecisive market. Stochastics continued to move downwards in oversold region. Moving averages are showing further downtrend. Downtrend movement of MACD indicates weak market sentiment.



SUPPORT / RESISTANCES:

Contract	S1	S2	PCP	R1	R2
NCDEX-Sugar M-June Contract	1891	1879	1903	1914	1925

TRADE RECOMMENDATION:

Sell NCDEX-June Sugar M at 1908 with **target** of 1896. **Stop loss** at 1914

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

Spot Market Prices

Rs./qtl

Origin/Grade	Center	02.06.06	01.06.06	Change
Ready Sugar (M Grade)	Delhi	1990-2050	2000-2060	-10
Ready Sugar (S Grade)	Delhi	1970-2035	1980-2045	-10
Mill Delivery	Delhi	1860-1905	1870-1915	--10

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