

SUGAR

6th July 2006

SPOT MARKETS

The spot sugar market sentiments remained weak amidst lackluster trade on Wednesday. The sugar prices were quoted lower in Delhi and Muzaffarnagar mandi as against yesterday as the traders remained bothered about the outcome of the meeting of the Sonia Gandhi with the Congress Chief Ministers to address the price hike issues. The ban on the sugar export till the next financial year also made them worried about the future movement of prices in the light of good crop harvest and higher sugar production. Sugar spot is likely to remain sluggish in the coming days.

FUTURES MARKETS

The futures market reacted sharply to the suddenly came news of the notification to ban the sugar export till 31 March 2007. The news turned in to a disaster for the Sugar Futures as the prices broke all the support levels beyond all expectations and could not revived back properly. The futures markets are expected to trade with bearish sentiments in the coming days. The NCDEX July Sugar contract hovered in the range of 1852-1901 while the August contract fluctuated in the range of 1862-1919 on Wednesday.

PRICE DRIVERS

1. Panic about the result of the Cong CMS meeting in the spot market
2. Sugar Export Ban till 31 March 2007
3. Weak Futures market sentiments
4. More acreage under sugarcane

WEATHER

The ongoing monsoon showers are useful for the sugarcane crop where planting is going on. In the parts of western Uttar Pradesh where it is in the growth stage the summer showers will reduce irrigation requirements and cut down the cost of production. Overall normal conditions are there in the sugarcane growing area of the country.

TECHNICALS

The long red candlestick with a long shadow indicated bearish trend on the NCDEX sugar futures. Sudden fall in prices, accompanied by sharp rise in volume and open interest hint towards weak market conditions. EMA is above the price line showing weakness in sugar futures. DAV, a Medium term indicator, is trying to approach to MACD and the gap is narrowing. The %K line is still above the % D line in the neutral zone and the gap has reduced.



SUPPORT / RESISTANCES:

Contract	S1	S2	PCP	R1	R2
NCDEX-Sugar M-July Contract	1850	1826	1874	1890	1900

TRADE RECOMMENDATION:

Buy NCDEX- July Sugar M near 1868 with **target** of 1888. **Stop loss** at 1858. Do not carry-forward the position until the next day.

Spot Market Prices

Rs./qtl

Origin/Grade	Center	05.07.06	04.07.06	Change
Ready Sugar (M Grade)	Delhi	1905-1925	1905-1935	-10.00
Ready Sugar (S Grade)	Delhi	1890-1910	1890-1920	-10.00
Mill Delivery	Delhi	1820-1840	1820-1850	-10.00

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