

SUGAR

12th July 2006

SPOT MARKETS

The sugar markets at Delhi and Muzaffarnagar witnessed moderate demand. Trading at these places was affected by monsoon showers, which have brought down temperature. The sugar demand in these areas is likely to increase in the coming days. However, traders are still a little bit worried about the political decisions as the monsoon session of the Parliament will start from 24th of July 2006 and the political parties will make much noise over the price hike situation of the essential commodities. So demand and supply situation will remain normal and spot prices are unlikely to shoot up beyond a certain limit under these circumstances.

FUTURES MARKETS

Futures market recovered after a weak opening amidst speculative buying activities. July contract witnessed a high volatility in prices, as it is about to end on 20th of this month. All other active contracts also exhibited the same trend. The NCDEX August Sugar contract hovered in the range of 1872-1894 while the September contract fluctuated in the range of 1881-1900 on Tuesday. Sugar futures may remain volatile in the coming days and speculative trading may lead the market in either direction.

PRICE DRIVERS

1. Likely increase in demand in coming days
2. Monsoon Session starting from 24th of July
3. Speculative buying in the futures market
4. Volatile futures market

WEATHER

Southwest monsoon has further covered some more parts of East Rajasthan, remaining parts of Haryana and Punjab. Conditions are favourable for the further advance of monsoon into remaining parts of East and West Rajasthan during next 72 hours. Northern India has also experienced good monsoon showers in the past 48 hours. The sugarcane has greatly benefited by this rainfall as it has reduced the disease infestation chances, and positively affected the productivity level.

TECHNICALS

Speculative buying kept market prices high throughout the day. In the August contract volume increased while open interest decreased slightly. EMA was about to touch the price line. Stochastic remained in neutral region and the %K line coincided with % D line. MACD remained almost flat. Technical indicators suggest towards volatility in the market.



SUPPORT / RESISTANCES:

Contract	S1	S2	PCP	R1	R2
NCDEX-Sugar M-August Contract	1878	1872	1889	1901	1905

TRADE RECOMMENDATION:

Sell NCDEX- August Sugar M near 1897 with **target** of 1882. **Stop loss** at 1904. Do not carry-forward the position until the next day.

Spot Market Prices

Rs./qtl

Origin/Grade	Center	11. 7.06	10.07.06	Change
Ready Sugar (M Grade)	Delhi	1915-1930	1915-1930	-
Ready Sugar (S Grade)	Delhi	1900-1915	1900-1915	-
Mill Delivery	Delhi	1830-1845	1830-1845	-

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