

## SUGAR

24<sup>th</sup> August 2006

### SPOT MARKETS

The domestic sugar spot market traded with bearish sentiments at Delhi and Muzaffarnagar mandis where it was offered at slightly lower prices due to continued weak demand. However, at Kolkata mandi some improvement was observed. With the passage of time the pressure will be on supply side, as the new sugar season will start from Oct-Nov this year and the mills will have to offload their maximum stock before this period. Buyers are in no hurry for any stockpiling, as they believe that prices are bound to fall under such circumstances. This appears to be the main reason why prices are witnessing southward movement. No upward correction is expected in the next few days in the spot prices.

### FUTURES MARKETS

The NCDEX sugar futures opened with weak sentiments but improved during early hours of the trade due to some buying. But later on, most of the contracts became bearish due to increased selling. The most active September contract traded on both side, but largely remained bearish and traded in the range of 1856-1873, while the October contract fluctuated in the range of 1848-1860 on Wednesday.

### PRICE DRIVERS

1. Subdued spot market demand
2. Lack of buying interest in the futures
3. Comfortable supply position
4. Weak international market sentiments

### WEATHER

Heavy falls at a few places are likely over interior Orissa, Jharkhand, Chhattisgarh and East Madhya Pradesh during next 48 hours. Isolated heavy falls also likely over southwest Rajasthan and East Uttar Pradesh.

### TECHNICALS

Candlestick pattern in the September contract at the NCDEX sugar futures exhibited bearish sentiment. The %K line appears to be merged in % D line in the oversold region. DAV ruled below the MACD in the negative region and proceeded parallel to it. EMA remained far above the price candlestick. RSI ruled below to its smooth average in neutral region and moved away from it. Volume and open interest increased on Wednesday. Technically market is weak.



### SUPPORT / RESISTANCES:

| Contract                         | S1   | S2   | PCP  | R1   | R2   |
|----------------------------------|------|------|------|------|------|
| NCDEX-Sugar M-September Contract | 1845 | 1840 | 1859 | 1880 | 1890 |

### TRADE RECOMMENDATION:

**Sell** NCDEX- September Sugar M near 1864 with **target** around 1850. **Stop loss** above 1871. Do not carry-forward the position until the next day.

### Spot Market Prices

Rs./qtl

| Origin/Grade          | Center | 23 .08.06 | 22.08.06  | Change |
|-----------------------|--------|-----------|-----------|--------|
| Ready Sugar (M Grade) | Delhi  | 1830-1905 | 1840-1905 | -      |
| Ready Sugar (S Grade) | Delhi  | 1815-1890 | 1825-1890 | -      |
| Mill Delivery         | Delhi  | 1745-1820 | 1755-1820 | -      |

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