

## SUGAR

12<sup>th</sup> August 2006

### SPOT MARKETS

The sugar physical markets sentiments at the major trading centers like Delhi and Muzaffarnagar in north Indian remained weak due to continued weak demand. The spot prices hover towards downside due to mismatch between demand and supply these days. The major festive demand has ended and the retail buyers purchase the quantity, which is sufficient enough to meet the normal demand. They are not interested in any stockpiling in the expectation of further fall in the prices. Thus the spot prices are not expected to show any change from the current trend in the coming days.

### FUTURES MARKETS

At the NCDEX sugar futures, mixed sentiments were observed in the currently active contracts. The October and onwards contracts exhibited slight bullish sentiments in the expectation of getting relaxation in sugar export from October. However, the August and September contracts are the worst sufferer of the current circumstances as spot market is not supporting it and fear of further downfall in the prices have made a selling pressure in these contracts. All the active contracts are trading in a very narrow range due to cautious move of the traders. The most active September contract traded in the range of 1904-1911, while the October contract fluctuated in the range of 1886-1893 on Friday. The DGFT through a notification on 11 August, clarified that the period for discharge of export obligation against advance licenses shall be extended by the period of the prohibition imposed, provided the export obligation period did not expire prior to the imposition of export restriction. Market may witness some momentary support on this news. So trade with cautious.

### PRICE DRIVERS

1. Meager demand as compared to supply in the spot market
2. Nearly end of the current festival demand
3. Higher production estimates
4. More selling pressure in futures market

### WEATHER

On going monsoon showers have so far been good enough for the sugarcane crop.

### TECHNICALS

In September contract, candlestick pattern exhibited bearish sentiments, and hovered in a narrow range. The %K line crossed the %D line in the oversold region. DAV ruled below and moved away from the MACD in the negative region. Prices closed far below the 9-days and 18-days EMA, indicating bearish sentiments. RSI came closer to its smooth average in neutral region. Volume and open interest increased on Friday.



### SUPPORT / RESISTANCES:

Contract	S1	S2	PCP	R1	R2
NCDEX-Sugar M-September Contract	1895	1890	1905	1915	1920

### TRADE RECOMMENDATION:

**Sell** NCDEX- September Sugar M near 1907 with **target** around 1897. **Stop loss** above 1912. Do not carry-forward the position until the next day.

### Spot Market Prices

Rs./qtl

Origin/Grade	Center	11 .08.06	10.8. 06	Change
Ready Sugar (M Grade)	Delhi	1855-1905	1865-1915	-10
Ready Sugar (S Grade)	Delhi	1840-1890	1850-1900	-10
Mill Delivery	Delhi	1770-1820	1780-1830	-10

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