

SUGAR

19th August 2006

SPOT MARKETS

The spot markets continued its bearish trend owing to flat demand in the major mandis at Delhi, Muzaffarnagar and Kolkata where it was offered at lower prices. It appears no respite in the current trend and the prices are expected to move downward. The production prospects have become brighter after a good spell of monsoon showers in the sugarcane growing areas.

FUTURES MARKETS

At the NCDEX Sugar futures, the August contract exhibited strong downward movement owing to the settlement day in this contract. Traders squared off their positions at much lower levels while some rolled over their position in to other active contracts. The selling pressure dominated in all the sugar futures. The September contract traded in the range of 1872-1888, while the October contract fluctuated in the range of 1850-1864 on Friday.

PRICE DRIVERS

1. Flat spot demand
2. Higher sugar production estimates
3. Squaring off and Rollover of the August positions
4. Weak international prices and demand

WEATHER

The weather is no longer a major concern for the sugar cane crop these days. The monsoon showers have met enough water requirements.

TECHNICALS

In September contract, candlestick formation exhibited strong bearish sentiments. The %K line continued to move parallel to the % D line in the oversold region. DAV ruled below the MACD in the negative region. EMA remained above the price line. RSI moved away from its smooth average in neutral region. Volume significantly increased while open interest slightly declined on Friday. Technically market is considered as weak.



SUPPORT / RESISTANCES:

Contract	S1	S2	PCP	R1	R2
NCDEX-Sugar M-September Contract	1860	1855	1883	1895	1905

TRADE RECOMMENDATION:

Sell NCDEX- September Sugar M near 1882 with **target** around 1868. **Stop loss** above 1890. Do not carry-forward the position until the next day.

Spot Market Prices

Rs./qtl

Origin/Grade	Center	18 .08.06	17 .08.06	Change
Ready Sugar (M Grade)	Delhi	1855-1885	1855-1890	-5
Ready Sugar (S Grade)	Delhi	1840-1870	1840-1875	-5
Mill Delivery	Delhi	1770-1800	1770-1805	-5

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