

SUGAR

01st September 2006

SPOT MARKETS

Sugar spot market traded with slight bearish undertone in all the major mandis like Delhi, Muzaffarnagar and Kolkata due to subdued demand and comfortable supply. The sugar price scenario is unlikely to change much owing to the prevailing weak sentiments in the domestic and world sugar market. High production estimates for the new sugar year and present supply glut in the physical market, strict vigilance of the government on the essential commodities prices are major reasons of the southward movement of the prices besides a big reason of export ban till 31 March 2007.

FUTURES MARKETS

Sugar futures on the NCDEX opened with weak sentiments and continued to trade downward due to selling pressure. However, in the last trading hour some recovery was seen. All the active sugar futures contracts hovered in a very narrow price range. Cabinet committee on Prices also had a meeting to review the prices of the essential commodities and inflationary issues. The market remained a little bit cautious about the likely move of the government. The most active September contract traded in the range of 1817-1826, while the October contract fluctuated in the range of 1817-1827 on Thursday. The futures are expected to continue the prevailing down trend.

PRICE DRIVERS

1. Subdued demand in spot market
2. Sufficient supply scenario
3. Good production prospects
4. Wait for September free sale quota release order
5. Weak International market sentiments

WEATHER

Heavy isolated falls are likely over Chhattisgarh, East and West MP and interior Orissa, north Telangana, Vidarbha and Uttaranchal during next 24 hours.

TECHNICALS

In September contract on NCDEX, candlestick formed the doji like candle, which indicates that in the last moment bulls overcome the bears. Stochastic remains in oversold region, however giving some positive signals. MACD is moving away in negative region hinting towards weak sentiments. Prices closed far below the 9-days and 18-days EMA indicating the continuance of downtrend. Volume and open interest declined on Thursday. Downtrend is expected to continue.

Sugar M Grade 0609(NCSGMU6)2006/08/31 - Daily B:1823.00 A:1825.1
O 1822.00 H 1826.00 L 1817.00 C 1824.00 V 4,280 I 21,820 O
EMA(9) 1840.4 (18) 1860.4 EMA(9) 1840.4 (18) 1860.4



SUPPORT / RESISTANCES:

Contract	S1	S2	PCP	R1	R2
NCDEX-Sugar M-September Contract	1800	1790	1824	1845	1860

TRADE RECOMMENDATION:

Sell NCDEX- September Sugar M near 1830 with **target** around 1814. **Stop loss** above 1838. Do not carry-forward the position until the next day.

Spot Market Prices

Rs./qtl

Origin/Grade	Center	31.08.06	30.08.06	Change
Ready Sugar (M Grade)	Delhi	1800-1875	1800-1875	-
Ready Sugar (S Grade)	Delhi	1785-1860	1785-1860	-
Mill Delivery	Delhi	1715-1790	1715-1790	-

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