

SUGAR

02nd September 2006

SPOT MARKETS

Spot sugar marginally improved at Muzaffarnagar and Kolkata market due to yesterday's slight support by the futures market. But Delhi market witnessed downtrend on flat demand. Today Government released 15.77-lakh tons sugar (14.00 non-levy+1.77 levy quota) for September. The futures and domestic price scenario will not change much as released quantity is sufficient enough to meet the normal and upcoming festive demand. In the light of the coming crushing season, bumper crop harvest prospects, global weak sentiments in sugar sector and strict monitoring of the Government on the prices of the essential commodities besides ban on export would not make it feasible for any significant upward movement. Thus, the prices will remain hovering in its current range or even may see downtrend.

FUTURES MARKETS

Sugar futures also came down after this release order, which hitherto were exhibiting slightly improved sentiments. The most active September contract traded in the range of 1821-1833, while the October contract fluctuated in the range of 1820-32 on Friday. The futures are expected to continue steady trend with bearish undertone.

PRICE DRIVERS

1. Steady demand in spot market
2. Sufficient supply scenario
3. Good production prospects
4. 15.77 lakh tons quota release for September
5. Weak International market sentiments

WEATHER

Weather conditions are good enough in most of sugarcane growing areas.

TECHNICALS

In September contract on NCDEX, candlestick pattern exhibits bearish pattern. Bulls however remained active for most of the trading session but bears made an impressive come back in the last. MACD remained flat in negative region hinting towards steady sentiments with slight weak undertone. Prices closed below the 9-days and 18-days EMA suggesting weakness in the market. Volume declined while open interest slightly improved on Friday. Downtrend is expected to continue.



SUPPORT / RESISTANCES:

Contract	S1	S2	PCP	R1	R2
NCDEX-Sugar M-September Contract	1800	1790	1821	1845	1860

TRADE RECOMMENDATION:

Sell NCDEX- September Sugar M near 1825 with **target** around 1811. **Stop loss** above 1833. Do not carry-forward the position until the next day.

Spot Market Prices

Rs./qtl

Origin/Grade	Center	01.09.06	31.08.06	Change
Ready Sugar (M Grade)	Delhi	1800-1870	1800-1875	-5
Ready Sugar (S Grade)	Delhi	1785-1855	1785-1860	-5
Mill Delivery	Delhi	1715-1785	1715-1790	-5

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