

## SUGAR

16<sup>th</sup> September 2006

### SPOT MARKETS

Sugar spot market traded with firm sentiments amidst improved festive demand. It was offered at slightly higher prices in Delhi, Muzaffarnagar and Kolkata. The demand will remain firm till mid October. The state government of Delhi has decided to distribute sugar at Rs. 19/kg from the 40 Kendriya Bhandar outlets ahead of the festival season. It is a preventive measure taken well in advance to avoid criticism over no change in the sugar retail prices which is currently sold on Rs. 21/kg for the last 3 months despite significant fall in the wholesale prices. Further, the old sugar stock in most of the mills is also towards exhaustion.

### FUTURES MARKETS

On the NCDEX, sugar futures traded with strong bullish sentiments on speculative buying. The fear and anxiety has reduced among the traders regarding the stock-holding limit, as sugar is not in this category. The spot market is trading firm and there appears to be no reason for futures to remain bearish. If market takes some correction, it should be considered as buying opportunity. However, this possibility is bleak. The most active October contract traded in the range of Rs. 1848-1865 on Friday.

### PRICE DRIVERS

1. Firm spot festive demand
2. Firm hope for export resumption in near future
3. Speculative buying in the futures market

### WEATHER

Weather is quite comfortable in most of the sugarcane growing areas. Bumper crop harvest is expected.

### TECHNICALS

In October contract on the NCDEX, candlestick pattern exhibited strong bullish sentiments. MACD moved upward towards positive region, giving bullish signal in medium term. Stochastic also show bullish sentiments. Prices closed far above the EMA. Volume increased while open interest slightly declined on Friday. Technicals favor the bulls.



### SUPPORT / RESISTANCES:

Contract	S1	S2	PCP	R1	R2
NCDEX-Sugar M-October Contract	1830	1815	1862	1890	1915

### TRADE RECOMMENDATION:

**Buy** NCDEX - October Sugar M near 1855 with **target** around 1875. **Stop loss** below 1845. Do not carry-forward the position until the next day.

### Spot Market Prices

Rs./qtl

Origin/Grade	Center	15.09.06	14.09.06	Change
Ready Sugar (M Grade)	Delhi	1800-1895	1760-1885	+10
Ready Sugar (S Grade)	Delhi	1785-1880	1745-1870	+10
Mill Delivery	Delhi	1715-1810	1675-1800	+10

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