

SUGAR

04th September 2006

SPOT MARKETS

Sugar spot market traded with slight weak sentiments in Delhi and Muzaffarnagar due to meager demand at these places. Further, rain also affected the trade in both of these places. The Directorate of Sugar through its notice extended the validity period in some states including UP and MH to sell the August non-levy quota up to 5th and 7th September respectively. The prices are expected to remain subdued in the near future due to steady demand and comfortable domestic supply scenario.

FUTURES MARKETS

Sugar futures intensified its downward journey after assessing the ground realities that in sugar the **"problem of plenty"** will not allow the spot prices to move up in near future due to the factors like bright production prospects, normal demand, weak international market sentiments and strict government regulatory policy. The most active September contract traded in the range of 1802-1820, while the October contract fluctuated in the range of 1804-1817 on Saturday. The futures are expected to continue its bearish undertone.

PRICE DRIVERS

1. Subdued spot market demand
2. Ample September free sale quota
3. Bumper crop harvest prospects

WEATHER

Weather conditions are normal for proper growth of sugarcane in most of its growing areas.

TECHNICALS

In September contract on NCDEX, candlestick formed a Marubozu pattern, which reflects strict bearish sentiments. MACD moved its southward journey in negative region hinting weak undertone. Price closed far below the 9-days and 18-days EMA, which further suggests weakness in the market. Volume slightly increased while open interest slightly declined on Saturday. Weakness is likely to persist.



SUPPORT / RESISTANCES:

Contract	S1	S2	PCP	R1	R2
NCDEX-Sugar M-September Contract	1785	1780	1802	1820	1830

TRADE RECOMMENDATION:

Sell NCDEX- September Sugar M near 1806 with **target** around 1792. **Stop loss** above 1813. Do not carry-forward the position until the next day.

Spot Market Prices

Rs./qtl

Origin/Grade	Center	02.09.06	01.09.06	Change
Ready Sugar (M Grade)	Delhi	1800-1870	1800-1870	-
Ready Sugar (S Grade)	Delhi	1785-1855	1785-1855	-
Mill Delivery	Delhi	1715-1785	1715-1785	-

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