

SUGAR

26th September 2006

SPOT MARKETS

Sugar prices continue to cool down in the physical markets amidst lack of any fundamental support. Prices slid at all the major markets. In Delhi the magnitude of fall was slightly higher than that of Mujaffar Nagar and Kolkata markets. Ahead of the festivals, the recent additional release of 1 -lakh tons non-levy sugar quota for the month of September continue to lend bearish sentiments in the market. This additional quota has one-month expiry and sold quantity at the end of this period would be converted into mandatory levy quota. So supply pressure is on the cards for the prices. Moreover, the world raw sugar future slide to the lowest level in almost a year as funds and speculators continue to liquidate longs.

FUTURES MARKETS

Sugar futures at the NCDEX witnessed a sharp correction following the weakness in global sugar prices. The October contract of Sugar opened the session on a bearish note at Rs 1847 and then tried initially to recoup. But heavy selling pressure took the prices finally to the lows of Rs 1822. The contract closed at the day's low. The price action was supported by a good volume of 3790 MT. The sugar futures are expected to open weak and trade with a bearish sentiment in the forthcoming session.

PRICE DRIVERS

1. Additional 1-lakh non-levy sugar released for September
2. Subdued demand in physical markets
3. Exports expected to revive after Festivals
4. Global raw sugar futures at one-year low levels.

WEATHER

Conducive weather is prevailing for the crop in the major growing areas of the country.

TECHNICALS

Sugar charts are showing weakness in the market. A big Marubozu candle has formed today showing the dominance of bears in the market. EMA patterns, momentum studies and oscillators are all favoring bears at the stage. Sugar futures are likely to trade with bearish inclination.



SUPPORT / RESISTANCES:

| Contract | S1 | S2 | PCP | R1 | R2 |
|--------------------------------|------|------|------|------|------|
| NCDEX-Sugar M-October Contract | 1804 | 1793 | 1822 | 1830 | 1850 |

TRADE RECOMMENDATION:

Sell NCDEX - October Sugar M below 1821 with **target** of 1810 and then 1804. **Stop loss** at 1829. Do not carry-forward the position until the next day.

Spot Market Prices

Rs./qtl

| Origin/Grade | Center | 25.09.06 | 22.09.06 | Change |
|-----------------------|--------|-----------|-----------|--------|
| Ready Sugar (M Grade) | Delhi | 1815-1900 | 1825-1910 | -10 |
| Ready Sugar (S Grade) | Delhi | 1800-1885 | 1810-1895 | -10 |
| Mill Delivery | Delhi | 1730-1815 | 1740-1825 | -10 |

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