

SUGAR

27th October 2006

SPOT MARKETS

Steady trend is going on in the sugar spot markets with slight improvement in "M" grade sugar as it's stock has almost finished in the mills. In Muzaffarnagar and Delhi markets, it was offered at higher prices due to short supply. Low quality sugar is available but lacks demand and hence it is being offered on much lower prices. The mismatch between quality sugar supply and demand will continue till the mid November, as new sugar will be available by that time. Till then, prices will remain steady to firm in the spot market.

FUTURES MARKETS

Sugar futures on the NCDEX traded with slight bullish sentiments in the morning session but later on profit booking brought futures prices down and all the active contracts closed with a bearish sentiments. However, export resumption issue is still pending before the government and the favorable decision is expected very soon. Quality sugar scarcity in the spot market also supports the futures. Futures must improve on Friday.

PRICE DRIVERS

1. Quality sugar scarcity in the spot market
2. Normal physical demand
3. Review on Export ban very soon
4. Profit booking in the futures market
5. Positive world sugar market sentiments

WEATHER

Weather is fine for the sugarcane crop. In most of the parts, harvesting has begun.

TECHNICALS

On the NCDEX, in November contract, candlestick pattern exhibit bearish sentiments owing to profit booking. However, prices closed far above the EMA. RSI favors the bears while MACD and Stochastic still hint towards improved sentiments. Trading volume and open interest both declined on Thursday. Market is expected to improve on Friday.



SUPPORT / RESISTANCES:

Contract	S1	S2	PCP	R1	R2
NCDEX-Sugar M-November Contract	1775	1760	1805	1850	1860

TRADE RECOMMENDATION:

Buy NCDEX - November Sugar M near 1801 with target of 1817. **Stop loss** below 1793. Do not carry-forward the position until the next day.

Spot Market Prices

Rs./qtl

Origin/Grade	Center	26.10.06	25.10.06	Change
Ready Sugar (M Grade)	Delhi	1825-1905	1815-1895	+10
Ready Sugar (S Grade)	Delhi	1810-1890	1800-1880	+10
Mill Delivery	Delhi	1740-1820	1730-1810	+10

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