

SUGAR

25th October 2006

SPOT MARKETS

The sugar prices observed a slight bearish tone Monday at the major leading mandis of the country due to a lacklustre trade amidst meager demand as festival requirement is over. Furthermore, a string of festival has started and will last till 25th October. Therefore most of the market will remain close during this period, and normal trading activities will start again after Eid. Furthermore, India is expected to produce up to 23.9 million tonne white sugar in the year to September 2007 season. The output in the current season is seen to be 24% higher than 19.3 MMt produced in the season that ended on September 30. The spot prices are likely to remain stable to slight down during this period.

FUTURES MARKETS

Sugar futures on the NCDEX traded slightly down at early hour but buying support at lower level spurt the prices on Monday. The traders are not worried about the higher production of sugarcane this year as crushing is starting from early November and international sugar scenario is improving thus there appears no reason to continue ban on export of sugar for longer period as it may negatively affect the returns to the cane farmers and sugar mills. Thus, futures market is expected to trade with slightly improved sentiments in the coming days.

PRICE DRIVERS

1. Almost steady physical demand
2. Buying support in futures market
3. Review on Export ban in last week of the October
4. Govt expects output in the current season to be 19.3 MMT

WEATHER

Major sugarcane areas of north India are drier this week and hotter. This may increase stress to late planted sugarcane in the area. Southern India sugarcane areas have seen a pick up in rain activity, helping to improve conditions for this part of the crop.

TECHNICALS

On the NCDEX, in November contract, candlesticks pattern hinting bullish sentiments. Prices closed far above the EMA. Indicators like MACD, Stochastic and RSI favor the bulls. Trading volume and open interest increased on Monday. Contract is likely to witness bullish sentiments on Wednesday.



SUPPORT / RESISTANCES:

Contract	S1	S2	PCP	R1	R2
NCDEX-Sugar M-November Contract	1798	1790	1804	1811	1817

TRADE RECOMMENDATION:

Buy NCDEX - November Sugar M above 1800 with **target** of 1811 and then 1817. **Stop loss** below 1793. Do not carry-forward the position until the next day.

Spot Market Prices

Origin/Grade	Center	23.10.06	20.10.06	Change
Ready Sugar (M Grade)	Delhi	1775-1875	1785-1885	-10.00
Ready Sugar (S Grade)	Delhi	1770-1865	1770-1870	-5.00
Mill Delivery	Delhi	1700-1800	1700-1800	-

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