

SUGAR

30th November 2006

SPOT MARKETS

Sugar spot market prices declined slightly in the most of the major trading center like Delhi, Kolkata and Muzaffarnagar on weak demand. Sentiments turned bearish in the spot market due to delay by the government in lifting the sugar export ban which is likely to be taken up after the winter session of parliament as per the Agriculture Minister. In Tamil Nadu the state government has revised state advised price (SAP) of sugarcane to Rs. 222.50 a tonne in addition to the statutory minimum price of Rs. 802.50 a tonne announced by the center totaling Rs 1025 a tonne. In addition there is an incentive price of Rs. 9 a tonne for sugar recovery of every 0.1 percentage point over 9 per cent. In effect, mills will now have to pay farmers over Rs. 1150-1200 per tonne based on the recoveries. Last year it was fixed at Rs. 1014 with an incentive of Rs. 8.80 per tonne for every 0.1 percentage point over 9 per cent recovery, based on the sugar recovery, the price per tonne ranged between Rs. 1014- Rs. 1128 of each mill in 2005-06. Further, in UP farmers are eagerly waiting for the announcement of SAP. Crushing going on smoothly in MH and UP.

FUTURES MARKETS

Sugar futures on the NCDEX opened marginally lower than previous days settlement and traded in a narrow range with slightly bearish undertone. Market opened at 1747 and hovers in a range of 1753 to 1745 and finally closed at 1752. Volume increased significantly while open interest declined. Government decision over the sugar export resumption is still awaited. Range bound movement is expected in the market till any positive news comes.

PRICE DRIVERS

1. Weak physical demand
2. Crushing picks up in UP and Maharashtra
3. Cabinet decision still awaited
4. Huge increase in production expected

WEATHER

Weather is fine for the sugarcane crop.

TECHNICALS

NCDEX December contract, candlestick chart pattern exhibits slight bullish sentiments. RSI, MACD and Stochastic favour for the bears. Closing price is below both the 9 days EMA and 18 days EMA. Market is expected to trade up following steady to strong opening.



SUPPORT / RESISTANCES:

Contract	S1	S2	PCP	R1	R2
NCDEX-Sugar M-December Contract	1745	1740	1752	1760	1765

TRADE RECOMMENDATION:

BUY NCDEX - December Sugar M above 1748 with **target** of 1758 then second target of 1763. **Stop loss** below 1742. Do not carry-forward the position until the next day.

Spot Market Prices

Origin/Grade	Center	29.11.06	28.11.06	Rs./qtl
Ready Sugar (M Grade)	Delhi	1755-1770	1770-1790	-20
Ready Sugar (S Grade)	Delhi	1740-1755	1755-1775	-20
Mill Delivery	Delhi	1670-1685	1685-1705	-20

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