

SUGAR

11th November 2006

SPOT MARKETS

Subdued trading activities are going on in the sugar spot market at major trading centers like Delhi and Muzaffarnagar where prices have slightly eased due to weak demand. The deferred decision on sugar export has negatively affected the spot market sentiments and increased the worry of the cane farmers who were expecting lucrative returns from their crop. Distress selling at the lower prices will only harm the cane farmers. Further, the UP government has yet not declared the Sate Advised prices for sugarcane, which are supposed to remain between 120-150/quintal. In Maharashtra, untimely rains in Nashik district have made significant losses to the sugarcane crop. On the other hand, farmers continue to agitate over MSP issue for sugarcane. Crushing is getting delayed, as mills are not receiving enough cane for crushing.

FUTURES MARKETS

NCDEX sugar futures opened with weak sentiments and traded in a narrow range with slightly bearish undertone till noon but later on due to slight buying support it finally closed with a positive note. Volume of trade in all the active contracts significantly declined. The sentiments of sugar futures indicate that traders are still hopeful for early resumption of the sugar export. Thus, major downtrend is not expected and range bound movement will continue in the sugar futures market till any positive news hit the market.

PRICE DRIVERS

1. Weak physical demand
2. Set back for sugar industry due to deferred decision on sugar export
3. Crushing delays in MH due to farmers' agitation
4. Heavy rains causes significant losses to cane crop in Nashik district of MH
5. Hope still continues for export resumption in December

WEATHER

Spot Market Prices

Origin/Grade	Center	10.11.06	09.11.06	Change
Ready Sugar (M Grade)	Delhi	1815-1895	1825-1900	-5
Ready Sugar (S Grade)	Delhi	1800-1880	1810-1885	-5
Mill Delivery	Delhi	1730-1800	1740-1805	-5

Rs./qtl

TECHNICALS

On the NCDEX, in December contract, candlestick pattern exhibit slight buying support, which reflects that traders are quite optimistic of lifting of export ban soon as it, is difficult to defer the decision for long. Prices closed above the 9-days EMA. Volume significantly declined while open interest did not change much. Technicals like MACD and RSI give improved signals while Stochastic favors the bears. Market is expected to remain steady to firm in the coming days.

Sugar M Grade 0612(NCSGMZ6)2006/11/10 - Daily B:1767.00 A:1769.00
J 1762.00 H 1770.00 L 1762.00 C 1769.00 V 1,000 I 17,950 +1
EMA(9) 1762.5 (18) 1758.3 PAR(14) 1751.66



SUPPORT / RESISTANCES:

Contract	S1	S2	PCP	R1	R2
NCDEX-Sugar M-December Contract	1740	1730	1769	1800	1820

TRADE RECOMMENDATION:

Buy NCDEX - December Sugar M near 1768 with **target** of 1778 then second target of 1785. **Stop loss** below 1762. Do not carry-forward the position until the next day.

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