

SUGAR

22nd December 2006

SPOT MARKETS

Spot market prices of sugar continue to ease in the major trading centers like Muzaffarnagar and Kolkata on weak demand while spot market price of Delhi remain steady on subdued demand. Markets are hoping for complete resumption of sugar export, which is awaited. In Indonesia, as per the Secretary General of the Indonesian Sugar Experts Association, the sugarcane production in 2007 could suffer a drop of 12 per cent resulting in a sugar shortage of about 5 lakh tonne. The drought this year affected almost all the country and this dry season is expected to continue in 2007 and if the sugar consumption reaches to 2.6 million tonne, then Indonesia will face a deficit of 5 lakh tonne. Crushing is going on smoothly in UP and Maharashtra.

FUTURES MARKETS

Sugar futures on the NCDEX observed narrow range bound trade with slightly bullish tone. January contract opened weak with a small gap down at Rs. 1704. However, increased buying interest at lower level supported the futures to trade upwards and tested a high of Rs. 1709 in the early hour of the trade. However, selling pressure at higher level pushed the futures to trade downwards and settled in a negative side. January contract moved in the range of Rs. 1709-1693. A range bound movement is expected in the market.

PRICE DRIVERS

1. Weak physical demand
2. Crushing picks up in UP and Maharashtra
3. Cabinet partially lifts the export ban
4. Cabinet decision over complete removal of sugar export ban is still awaited
5. Huge increase in production expected

WEATHER

Weather is favourable for the sugarcane crop.

TECHNICALS

NCDEX January contract, candlestick chart pattern exhibits bearish sentiment. Technical indicators MACD, RSI and Stochastic favours for the bears. Closing price is below the 9 days EMA and the 18 days EMA. Market is expected to trade downward following a steady to weak.



SUPPORT / RESISTANCES:

Contract	S1	S2	PCP	R1	R2
NCDEX-Sugar M-January Contract	1690	1685	1695	1715	1721

TRADE RECOMMENDATION:

SELL NCDEX - January Sugar M below 1709 with **target** towards 1700 then second target of 1695. **Stop loss** above 1714. Do not carry-forward the position until the next day.

Spot Market Prices

Origin/Grade	Center	21.12.06	20.12.06	Change
Ready Sugar (M Grade)	Delhi	1690-1705	1690-1705	-
Ready Sugar (S Grade)	Delhi	1675-1690	1675-1690	-
Mill Delivery	Delhi	1605-1620	1605-1620	-

Disclaimer

The information and opinions contained in the document have been compiled from sources believed to be reliable. The company does not warrant its accuracy, completeness and correctness. Use of data and information contained in this report is at your own risk. This document is not, and should not be construed as, an offer to sell or solicitation to buy any commodities. This document may not be reproduced, distributed or published, in whole or in part, by any recipient hereof for any purpose without prior permission from the Company. IASL and its affiliates and/or their officers, directors and employees may have positions in any commodities mentioned in this document (or in any related investment) and may from time to time add to or dispose of any such commodities (or investment). Please see the detailed disclaimer at <http://www.agriwatch.com/Disclaimer.asp>