

SUGAR

26th December 2006

SPOT MARKETS

Spot market prices of sugar continue to follow the previous day sentiment and the spot market prices of Muzaffarnagar declined slightly on weak demand where as the spot prices of Delhi and Kolkata remain steady on subdued demand. Government decision is awaited over the entire resumption of sugar export. Trading activity will pick up as and when government allows sugar export completely. Further mills offered their stock at lower price in the market. Spot market prices of sugar are expected to remain steady to weak in coming days due to the lower prices. Crushing is going on smoothly in UP and Maharashtra.

FUTURES MARKETS

Sugar futures on the NCDEX observed weak sentiment with bearish undertone. January contract opened weak with a small gap down at Rs. 1681 and increased selling pressure at the current level pushed the futures to trade downwards and tested a low of Rs. 1668. However, some buying interest at lower level supported the futures to trade upwards and settled at Rs. 1677. January contract moved in the range of Rs. 1681-1668. Volume declined significantly. Market is expected to trade downwards following a steady to weak opening.

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 with possibility of slight late upward movement.



SUPPORT / RESISTANCES:

Contract	S1	S2	PCP	R1	R2
NCDEX-Sugar M-January Contract	1660	1655	1677	1693	1700

TRADE RECOMMENDATION:

SELL NCDEX - January Sugar M below 1685 with **target** towards 1675 then second target of 1670. **Stop loss** above 1691. Do not carry-forward the position until the next day.

Spot Market Prices

Rs./qtl

Origin/Grade	Center	23.12.06	22.12.06	Change
Ready Sugar (M Grade)	Delhi	1670-1695	1670-1695	-
Ready Sugar (S Grade)	Delhi	1655-1680	1655-1680	-
Mill Delivery	Delhi	1585-1610	1585-1610	-

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