

SUGAR

20th December 2006

SPOT MARKETS

Spot market prices of sugar recovered in the major trading centers like Delhi, Muzaffarnagar and Kolkata on improved demand as well as the government's decision over lifting of ban on sugar under ALS. However, the Union Cabinet has lifted the ban only for raw sugar imported under the advance license scheme (ALS). Around 1 million tonne of raw sugar imported under ALS will now be re-exported as refined sugar, based on the government's decision to open up exports. However, the government does not yet announced general lifting of ban on sugar export, but this is one of the reasons given to argue for a general lifting of the ban rather than just for ALS sugar. Crushing on the other hand is going on smoothly in UP and Maharashtra.

FUTURES MARKETS

Sugar futures on the NCDEX observed firm sentiment with bullish tone. January contract opened firm with a small gap up at Rs. 1720 above the previous day's settlement. The firmness came on the back of news of lifting of export ban for sugar under ALS. Increased buying interest pushed the futures to trade upwards and tested a high of Rs. 1733. However it could sustain the higher level and traded southwards and tested a low of Rs. 1713. January contract moved in the range of Rs. 1733-1713 while Dec contract moved in the range of 1760-1696. Market is expected to open weak with possibility of late upward movement.

PRICE DRIVERS

1. Improved physical demand
2. Crushing picks up in UP and Maharashtra
3. Cabinet decision still awaited on general lifting of ban on sugar export
4. Cabinet has lifted the export ban on raw sugar under ALS
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, Stochastic and RSI favours for the bulls. Closing price is far between the 9 days EMA and the 18 days EMA. Market is expected to trade downwards following a steady to weak opening and possibility of slight late upward movement.



SUPPORT / RESISTANCES:

Contract	S1	S2	PCP	R1	R2
NCDEX-Sugar M-January Contract	1704	1697	1713	1721	1728

TRADE RECOMMENDATION:

SELL NCDEX - January Sugar M below 1720 with **target** towards 1711 then second target of 1706. **Stop loss** above 1725. Do not carry-forward the position until the next day.

Spot Market Prices

Rs./qtl

Origin/Grade	Center	19.12.06	18.12.06	Change
Ready Sugar (M Grade)	Delhi	1690-1720	1690-1705	+15
Ready Sugar (S Grade)	Delhi	1675-1705	1675-1690	+15
Mill Delivery	Delhi	1605-1635	1605-1620	+15

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