

## SUGAR

27th December 2006

### SPOT MARKETS

Spot market prices of sugar continue to ease in the major market like Delhi and Muzaffarnagar on weak physical demand, while the spot prices of sugar in Kolkata improved slightly on improved demand. Traders are hoping for complete resumption of sugar export as the Food and Agriculture Minister said while addressing the annual general meeting of Vasantdada Sugar Institute that the government will soon allow the export of 10 lakh tonne of sugar under open general licence. The center last week had lifted the ban under ALS and allowed to export 1 million tonne of sugar. The government has asked the industry to produce raw sugar and collectively bring it to the nearest port for refining, so that refined sugar can be produced and directly exported to EU as the government feels that the sugar industry can benefit from the cut in the sugar production in the EU. However, the decision for the same is awaited. Further, the government is likely to announce the quarterly quota soon. Market is expected to remain volatile over the announcement of quota.

### FUTURES MARKETS

Sugar futures on the NCDEX observed weak sentiment with bearish undertone. January contract opened firm with a small gap up at Rs. 1688 and increased selling pressure at the current level pushed the futures to trade downwards and tested a low of Rs. 1676. However, futures recovered on increased buying interest at lower level and finally settle at Rs. 1687. January contract moved in the range of Rs. 1688-1676. Volume declined marginally. Market is expected to trade upwards following a steady to firm 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 indecisive market. Technical indicators MACD, RSI and Stochastic favours for the bulls. Closing price is below the 9 days EMA and the 18 days EMA. Market is expected to trade upward following a steady to firm opening with possibility of slight late downward movement.



### SUPPORT / RESISTANCES:

Contract	S1	S2	PCP	R1	R2
NCDEX-Sugar M-January Contract	1677	1671	1687	1705	1712

### TRADE RECOMMENDATION:

**BUY** NCDEX - January Sugar M above 1682 with **target** towards 1692 then second target of 1697. **Stop loss** below 1677. Do not carry-forward the position until the next day.

### Spot Market Prices

Rs./qtl

Origin/Grade	Center	26.12.06	23.12.06	Change
Ready Sugar (M Grade)	Delhi	1670-1690	1670-1695	-5
Ready Sugar (S Grade)	Delhi	1655-1675	1655-1680	-5
Mill Delivery	Delhi	1585-1605	1585-1610	-5

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