

SUGAR

1st January 2007

SPOT MARKETS

Spot market prices of sugar declined slightly in the most of the major markets like Delhi, Muzaffarnagar and Kolkata amidst weak demand and normal supply. Traders are in wait and watch state and looking forward the government next move on complete resumption of sugar export, which is awaited by the government side. Further, the sugar industries are taking the advantage of futures market by having short position to minimise their losses in spot market as they said to sell sugar at subdued prices in spot. Crushing is going on smoothly in Maharashtra and Uttar Pradesh, which is likely to affect the futures prices in near future.

FUTURES MARKETS

Sugar futures on the NCDEX observed narrow range bound trade with slightly bullish tone bearish undertone. January contract opened weak at Rs. 1647 and traded downward and tested a low of Rs. 1644. However, buying interest supported the futures and tested a high of 1649 and finally settled in the positive side. January contract moved in the range of Rs. 1649-1644. Volume declined significantly while open interest remains steady.

PRICE DRIVERS

1. Weak physical demand
2. Crushing picks up in UP and Maharashtra
3. Cabinet partially lifts the export ban
4. Government announced higher sale quota
5. Huge increase in production expected

WEATHER

Weather is favourable for the sugarcane crop.

TECHNICALS

NCDEX January contract, candlestick chart pattern exhibits slightly bullish sentiment. Technical indicators MACD, RSI and Stochastic indicating bearish market. Closing price is far below the 9 days EMA and the 18 days EMA that indicates the trend will continue. Market is expected to trade downward following a steady to weak opening with possibility of slight late upward movement.



SUPPORT / RESISTANCES:

Contract	S1	S2	PCP	R1	R2
NCDEX-Sugar M-January Contract	1638	1630	1649	1668	1679

TRADE RECOMMENDATION:

SELL NCDEX - January Sugar M below 1659 with **target** towards 1649 then second target of 1644. **Stop loss** above 1665. Do not carry-forward the position until the next day.

Spot Market Prices

Rs./qtl

Origin/Grade	Center	30.12.06	29.12.06	Change
Ready Sugar (M Grade)	Delhi	1655-1675	1665-1685	-10
Ready Sugar (S Grade)	Delhi	1640-1660	1650-1670	-10
Mill Delivery	Delhi	1570-1590	1580-1600	-10

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