

SUGAR

21st December 2006

SPOT MARKETS

Spot market prices of sugar eased slightly in the most of the major trading centers like Delhi, Muzaffarnagar and Kolkata amidst weak demand and supply. Traders are in wait and watch state and looking forward for the government's next move on complete resumption of sugar export. However, the government has partially lifted the ban on sugar export under ALS and as per Farm Minister government will first review the sugar balance then any decision will be taken by the government and it will take 10-15 days time to review the sugar stock. Further, the international prices soften from \$352.10 to 348.50 which makes export less lucrative for India. Crushing on the other hand 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. 1711 below the previous day's settlement. Increased selling pressure pushed the futures to trade downward and tested a low of Rs. 1703 and finally settled in the negative territory. January contract moved in the range of Rs. 1715-1703 while Dec contract moved in the range of 1719-1670. Market is expected to trade range bound following steady to weak opening.

PRICE DRIVERS

1. Improved 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 and RSI favours for the bears while Stochastic hints for the bulls. Closing price is below the 9 days EMA and the 18 days EMA. Market is expected to remain range bound 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	1697	1692	1705	1720	1728

TRADE RECOMMENDATION:

SELL NCDEX - January Sugar M below 1711 with **target** towards 1700. **Stop loss** above 1716. Do not carry-forward the position until the next day.

Spot Market Prices

Rs./qtl

Origin/Grade	Center	20.12.06	19.12.06	Change
Ready Sugar (M Grade)	Delhi	1690-1705	1690-1720	-15
Ready Sugar (S Grade)	Delhi	1675-1690	1675-1705	-15
Mill Delivery	Delhi	1605-1620	1605-1635	-15

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