

## SUGAR

6th December 2006

### SPOT MARKETS

Sugar spot market prices eased slightly in the major trading center like Kolkata and Muzaffarnagar on weak demand. While spot prices of sugar in Delhi improved slightly due to improved demand. Markets are hoping for the lifting of ban on sugar exports by government, which is still awaited. Further, in India the Production of ethanol is expected to go up to about 550 million liters during the current year. The Government has decided to blend 5% ethanol with petrol from November 2006, which will create a demand for about 550 million liters during the current year, which in turn will augment ethanol production. Further, concessional loans are provided from Sugar Development Fund (SDF) to the sugar factories to establish facilities for production of ethanol. The percentage of blending has been planned to be increased to 10% in Phase-II, which is expected to generate a demand of about 1200 million liters after one year or so as stated by the Minister of State for Consumer Affairs. This will have a bullish impact on the market as more and more sugar and its by products could be used for the ethanol production. The situation is expected to follow the trend in Brazil where more cane crushing would be diverted to the ethanol production. In UP farmers are hopeful over the announcement of SAP, which is likely to be announce soon. Crushing is going smoothly in UP and Maharashtra.

### FUTURES MARKETS

Sugar futures at NCDEX opened lower than yesterday's settlement and the most-active December contract tested a low of Rs. 1740 at the early hours of trade. However, some buying interest supported the futures thereafter and the futures traded upwards to test an intraday high of Rs. 1750 and finally closed at Rs. 1748. Volume of the trade declined significantly. Range bound movement is expected in the market till any positive news comes over the sugar export ban.

### PRICE DRIVERS

1. Weak physical demand
2. Crushing picks up in UP and Maharashtra
3. Cabinet decision still awaited
4. Huge increase in production expected

### WEATHER

Weather is fine for the sugarcane crop.

### TECHNICALS

NCDEX December contract, candlestick chart pattern exhibits bullish sentiment. Technical indicators RSI, MACD and Stochastic favour for the bulls. Closing price is below both the 9 days EMA and 18 days EMA. Market is expected to trade up following weak opening with possibility of late downwards movement.



### SUPPORT / RESISTANCES:

Contract	S1	S2	PCP	R1	R2
NCDEX-Sugar M-December Contract	1740	1735	1748	1755	1765

### TRADE RECOMMENDATION:

**BUY** NCDEX - December Sugar M above 1743 with **target** of 1753 then second target of 1759. **Stop loss** below 1737. Do not carry-forward the position until the next day.

### Spot Market Prices

Rs./qtl

Origin/Grade	Center	05.12..06	04.12.06	Change
Ready Sugar (M Grade)	Delhi	1725-1740	1720-1735	+5
Ready Sugar (S Grade)	Delhi	1710-1725	1705-1720	+5
Mill Delivery	Delhi	1640-1655	1635-1650	+5

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