

SUGAR

29th December 2006

SPOT MARKETS

Spot market prices of sugar recovered marginally in the major markets like Delhi and Kolkata amidst improved demand and normal supply, while the spot prices in Muzaffarnagar declined slightly on weak demand. The government has released 41 lakh tonne of free sale sugar for the quarter January to march, 2007. The government has released free sale quota of 13 lakh tonnes for the month of January. In addition 1.84 lakh tonne has been released as levy sugar for distribution under Public Distribution System (PDS). Thus the total availability of sugar in the month of January 2007 would be 14.84 lakh tonnes. According to trade sources prices expected to ease slightly for the next few weeks due to ongoing crushing and release of higher sale quota. Further, the government decision is awaited over the complete resumption of sugar export.

FUTURES MARKETS

Sugar futures on the NCDEX observed weak sentiment with bearish undertone. January contract opened at Rs. 1680 and traded downward thereafter on increased selling pressure and tested a low of Rs. 1644 and finally settled in the negative side. January contract moved in the range of Rs. 1680-1644. Volume increased significantly while open interest remains steady. Market is expected to trade downward following a steady to weak opening.

PRICE DRIVERS

1. Weak physical demand
2. Crushing picks up in UP and Maharashtra
3. Cabinet partially lifts the export ban
4. 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 indicating bearish market, while Stochastic favour for the bulls. Closing price is far below the 9 days EMA and the 18 days EMA. 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	1654	1680	1697

TRADE RECOMMENDATION:

SELL NCDEX - January Sugar M below 1668 with **target** towards 1657 then second target of 1650. **Stop loss** above 1674. Do not carry-forward the position until the next day.

Spot Market Prices

Origin/Grade	Center	28.12.06	27.12.06	Change
Ready Sugar (M Grade)	Delhi	1665-1690	1665-1685	+5
Ready Sugar (S Grade)	Delhi	1650-1675	1650-1670	+5
Mill Delivery	Delhi	1580-1605	1580-1600	+5

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