

SUGAR

15th December 2006

SPOT MARKETS

Sugar spot market continues to decline in the major trading centers like Delhi, Muzaffarnagar and Kolkata on weak physical demand. Traders are in wait and watch state over the resumption of ban on sugar export as the Food and Agriculture Minister said that the lifting of ban on sugar export is unlikely before December-end while addressing the 72nd annual general meeting of Indian Sugar Mills Association (ISMA). He said that the Union Cabinet would take the decision and he also stated that the Cabinet would study the export ban issue before finalizing as the government's estimates on sugar production differs from the industry estimate. Further, agitation continues in UP over the issue of SAP and the decision for the same is awaited by the government side. Crushing is going on smoothly in UP and Maharashtra.

FUTURES MARKETS

Sugar futures on the NCDEX observed volatile trade with bearish tone. January contract opened firm at Rs. 1712 and tested an intraday high of Rs. 1720. However, increased selling pressure pushed the futures downwards and tested a low of Rs. 1701 and finally closed in the negative territory. January contract traded in a range of Rs. 1720 to 1701. Volume increased marginally during the trading session while open interest remains steady. Range bound movement is expected in the market.

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 favourable for the sugarcane crop.

TECHNICALS

NCDEX January contract, candlestick chart pattern exhibits bearish sentiment. Technical indicators RSI and MACD favour for the bears while Stochastic favour the bulls. Closing price is below both the 9 days EMA and the 18 days EMA. Market is expected to remain range bound to down with possibility of steady to weak opening.



SUPPORT / RESISTANCES:

Contract	S1	S2	PCP	R1	R2
NCDEX-Sugar M-January Contract	1695	1690	1705	1711	1720

TRADE RECOMMENDATION:

SELL NCDEX - January Sugar M below 1709 with **target** towards 1700 then second target of 1695. **Stop loss** above 1714. Do not carry-forward the position until the next day.

Spot Market Prices

Rs./qtl

Origin/Grade	Center	14.12..06	13.12.06	Change
Ready Sugar (M Grade)	Delhi	1690-1710	1705-1730	-20
Ready Sugar (S Grade)	Delhi	1675-1695	1690-1715	-20
Mill Delivery	Delhi	1605-1625	1620-1645	-20

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