

SUGAR

2nd December 2006

SPOT MARKETS

Sugar spot market trading with slightly bearish sentiment and spot market prices of sugar eased slightly in the major trading center like Kolkata and Muzaffarnagar due to subdued demand while spot market prices of Delhi noticed slight improvement due to improved demand. Government decision over the sugar export ban is still awaited and is likely to be announce after the winter session of parliament. The Government has released 12 lakh tonnes of sugar as non-levy quota for the month of December 2006 as against 11 lakh tonnes of quota released during the corresponding month last year. In Brazil the Agriculture Ministry's crop forecasting agency "Conab" has revised the forecast for the sugarcane crop for the year ending April 2007 to 475.7 MMT from an earlier estimate of 471.2 million tons and sugarcane planting grew by 6 % to 6.2 million hectares (15.3 million acres) this season. According to Conab mills will turn 242.2 million tonnes of sugarcane in to sugar, 183.8 million tonnes in ethanol fuel and remaining 49.7 million tonnes into liquor, animal feed and other products. In Uttar Pradesh cane growers are eagerly waiting for the announcement of SAP, which is likely to be announce soon. Crushing on the other hand going on smoothly in Maharashtra and Uttar Pradesh.

FUTURES MARKETS

Sugar futures on the NCDEX observed weak sentiments with slightly bearish undertone. Market opened at 1746 lower than previous days settlement and hovers in a narrow range of 1751 to 1741 and finally closed at 1749 with Volume increasing and open interest declining. Government decision over the sugar export resumption is still awaited. Range bound movement is expected in the market till any positive news comes.

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.

Spot Market Prices

Origin/Grade	Center	01.12..06	30.11.06	Rs./qtl
Ready Sugar (M Grade)	Delhi	1755-1765	1755-1770	-5
Ready Sugar (S Grade)	Delhi	1740-1750	1740-1755	-5
Mill Delivery	Delhi	1670-1680	1670-1685	-5

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TECHNICALS

NCDEX December contract, candlestick chart pattern exhibits slight bullish sentiments. Technical indicators RSI, MACD and Stochastic favour for the bears. Closing price is below both the 9 days EMA and 18 days EMA. Market is expected to trade down following steady to strong opening with possibility of late upwards movement.



SUPPORT / RESISTANCES:

Contract	S1	S2	PCP	R1	R2
NCDEX-Sugar M-December Contract	1745	1740	1749	1757	1762

TRADE RECOMMENDATION:

SELL NCDEX - December Sugar M below 1755 with **target** of 1748 then second target of 1743. **Stop loss** above 1760. Do not carry-forward the position until the next day.