

## SUGAR

13th December 2006

### SPOT MARKETS

Sugar spot market continues to follow the previous day's sentiment and spot market prices of sugar declined slightly in the major markets like Delhi, Kolkata and Muzaffarnagar on weak demand. Markets are hoping for the early resumption of ban on sugar export but there is still no clear picture by the government regarding the same and it is still awaited. Further, the world sugar output for the year 2006-07 is forecast to 155.5 million tonnes (raw value) up by 6.4 mt from last year's 149.1 mt as per the Food and Agriculture Organisation (FAO). The world sugar consumption for the current year is up at 152.1 mt as compared to last year's at 149.9 mt as per United Nations agency, reflecting a surplus of 3 mt. In UP cane growers are eagerly waiting for the announcement of SAP, which is expected to announce soon. Crushing is going on smoothly in UP and Maharashtra.

### FUTURES MARKETS

Sugar futures on the NCDEX observed narrow range bound trade with slightly bearish undertone. January contract opened small gap up at Rs. 1706 above the Monday's settlement and tested an intraday high of Rs. 1707 and a low of Rs. 1702 and finally closed at Rs. 1705. January contract traded in a range of Rs. 1707 to 1702. Volume of the trade declined significantly while open interest remains steady. A 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 indecisive market. Technical indicators RSI, MACD and Stochastic favour for the bears. Closing price is below both the 9 days EMA and the 18 days EMA. Market is expected to trade range bound with possibility of firm opening and slight late downward movement.



### SUPPORT / RESISTANCES:

| Contract                       | S1   | S2   | PCP  | R1   | R2   |
|--------------------------------|------|------|------|------|------|
| NCDEX-Sugar M-January Contract | 1693 | 1687 | 1705 | 1716 | 1724 |

### TRADE RECOMMENDATION:

**SELL** NCDEX - January Sugar M below 1711 with **target** towards 1700 then second target of 1697. **Stop loss** above 1715. Do not carry-forward the position until the next day.

### Spot Market Prices

Rs./qtl

| Origin/Grade          | Center | 12.12..06 | 11.12.06  | Change |
|-----------------------|--------|-----------|-----------|--------|
| Ready Sugar (M Grade) | Delhi  | 1705-1735 | 1715-1745 | -10    |
| Ready Sugar (S Grade) | Delhi  | 1690-1720 | 1700-1730 | -10    |
| Mill Delivery         | Delhi  | 1620-1650 | 1630-1660 | -10    |

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