

## SUGAR

18th December 2006

### SPOT MARKETS

Lacklustre trade is going on in the sugar spot markets at Delhi, Kolkata and Muzaffarnagar where the spot market prices declined repeatedly amidst weak demand and normal supply. Markets are in wait and watch state and looking forward for early resumption of ban on sugar export, which is awaited. Further, in UP the government announced the SAP of sugarcane at Rs. 125-130 per qtl (increase of Rs. 10) for the current year 2006-07 against the last year's Rs. 115-120 per qtl. Internationally, sugar prices have softened over the past five months, when India banned sugar export. The prices declined from \$490 per tonne to \$350 per tonne. The prices are expected to decline further as the crushing season progresses in the producer nations, which making exports less lucrative for India. Crushing is going on smoothly in UP and Maharashtra.

### FUTURES MARKETS

Sugar futures on the NCDEX observed narrow range bound trade with slightly bullish tone. January contract opened weak at Rs. 1702 and tested a low of Rs. 1697. However, futures recovered on increased buying interest at lower level and tested a high of Rs. 1705 and finally settled at Rs 1705. January contract moved in the range of Rs. 1705-1697 while December contract moved in the range of 1725-1716 during the trading session. Market is expected to hover in a range bound fashion with steady to slightly positive sentiments.

### 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 bullish sentiment. Technical indicators MACD and Stochastic favour the bears while RSI favours the bulls. Closing price is far below both the 9 days EMA and the 18 days EMA. Market is expected to remain range bound following steady to firm opening.



### SUPPORT / RESISTANCES:

Contract	S1	S2	PCP	R1	R2
NCDEX-Sugar M-January Contract	1697	1690	1705	1711	1720

### TRADE RECOMMENDATION:

**BUY** NCDEX - January Sugar M above 1700 with **target** towards 1708 then second target of 1715. **Stop loss** below 1695. Do not carry-forward the position until the next day.

### Spot Market Prices

Origin/Grade	Center	16.12. 06	15.12..06	Rs./qtl Change
Ready Sugar (M Grade)	Delhi	1685-1700	1690-1705	-5
Ready Sugar (S Grade)	Delhi	1670-1685	1675-1690	-5
Mill Delivery	Delhi	1600-1615	1605-1620	-5

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