

SUGAR

7th December 2006

SPOT MARKETS

Spot market prices of sugar increased slightly in the major trading center like Delhi and Muzaffarnagar due to improved demand. While spot prices in Kolkata declined slightly on weak demand. In India, at the time when it is debated on lifting of the ban on sugar exports, the estimate of sugar production between the Food Ministry and Agriculture Ministry, both headed by Mr. Sharad Pawar who is pushing for export, is at variance. As per the Food Ministry the production is estimated at 227 lakh tonnes this year with a domestic consumption of 190 lakh tonnes, whereas Agriculture Ministry's estimate is closer to 200 lakh tonnes, which would indicate continuation of ban and in the meanwhile ISMA, a trade body has pegged the production at 230-240 lakh tonnes. There is no clear picture with the government itself regarding the sugar production; government seems to be in a state of dilemma. However, markets are hoping for the lifting of ban on sugar export by government. As per the Managing Director of the National Federation of Cooperative Sugar Factories, India's sugar output is projected at 24 mmt during the marketing year 2007-08 above from an expected 23 million tonnes in 2006-07. Export is projected to go up to 3 million tonnes during the year 2007-08 from an expected 2 million tonnes in the current year. Further, In UP farmers are hopeful over the announcement of SAP, which is likely to be announce soon. Crushing is going smoothly in UP and MH.

FUTURES MARKETS

Sugar futures at NCDEX opened marginally lower than yesterday's settlement and the most-active December contract tested a low of Rs. 1746 at the early hours of trade. However, some buying interest supported the futures thereafter and the futures traded upwards to test an intraday high of Rs. 1755 and finally closed at 1752 with volume increasing and open interest declining. 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 fine for the sugarcane crop.

TECHNICALS

NCDEX December contract, candlestick chart pattern exhibits bullish sentiment. Technical indicators RSI, MACD and Stochastic favour for the bulls. Closing price is above the 9 days EMA and below the 18 days EMA. Market is expected to trade up following weak opening with possibility of late downwards movement.



SUPPORT / RESISTANCES:

Contract	S1	S2	PCP	R1	R2
NCDEX-Sugar M-December Contract	1742	1735	1752	1760	1768

TRADE RECOMMENDATION:

BUY NCDEX - December Sugar M above 1745 with **target** of 1755 then second target of 1760. **Stop loss** below 1740. Do not carry-forward the position until the next day.

Spot Market Prices

Rs./qtl

Origin/Grade	Center	06.12..06	05.12.06	Change
Ready Sugar (M Grade)	Delhi	1725-1750	1725-1740	+10
Ready Sugar (S Grade)	Delhi	1710-1735	1710-1725	+10
Mill Delivery	Delhi	1640-1665	1640-1655	+10

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