

SUGAR

5th December 2006

SPOT MARKETS

Spot market prices of sugar declined in the most of the major trading center like Delhi, Kolkata and Muzaffarnagar on weak demand. Market is in wait and watch state over the government next move on sugar export ban, which is still awaited. In Nepal, Indushankar sugar factory resumed sugarcane crushing. The factory has a crushing capacity of 3000 tonne of sugarcane per day and is expected to crush 3 lakh tonne of sugarcane this year as per the general manager of the factory. Last year the factory production was disrupted due to a dispute over the price rate of sugarcane. However, this year the price of sugarcane would be fixed after the factory resume its production smoothly said the secretary of the sugarcane producer's association. Further, Indonesia may import 2 lakh metric tonne of sugar to fulfill domestic stock shortage from the countries of Asia. The sugarcane suffered on the vagaries of weather in Indonesia as the crop is at maturity stage and weather condition is unfavorable for the crop as per Australian Bureau of Meteorology, this condition will persist until mid-2007 and continue to affect weather in Indonesia and that is expected to have more export offers to India. In UP farmers are hopeful over the announcement of SAP of sugarcane, which is still awaited. Crushing is going on smoothly in UP and Maharashtra.

FUTURES MARKETS

Sugar futures on the NCDEX opened marginally lower than Saturday's settlement and traded in a range bound fashion with slightly bearish tone. Market opened at 1742 and hovers in a range of 1754 to 1736 and finally closed at 1742. Volume of the trade increased significantly. Range bound movement is expected in the market till any positive news comes over the sugar export resumption.

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 indecisive market. 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 up following weak opening with possibility of late downwards movement.



SUPPORT / RESISTANCES:

Contract	S1	S2	PCP	R1	R2
NCDEX-Sugar M-December Contract	1731	1730	1742	1756	1762

TRADE RECOMMENDATION:

SELL NCDEX - December Sugar M below 1750 with **target** of 1740 then second target of 1735. **Stop loss** above 1755. Do not carry-forward the position until the next day.

Spot Market Prices

Origin/Grade	Center	04.12..06	02.12.06	Rs./qtl
Ready Sugar (M Grade)	Delhi	1720-1735	1745-1755	-20
Ready Sugar (S Grade)	Delhi	1705-1720	1730-1740	-20
Mill Delivery	Delhi	1635-1650	1660-1670	-20

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