

SUGAR

30th December 2006

SPOT MARKETS

Spot market prices of sugar eased slightly in the major trading centers like Delhi and Muzaffarnagar on weak physical, while the spot prices at Kolkata remain steady on subdued demand. Government decision is awaited over the complete resumption of sugar export and any positive news boost the Indian sugar futures while reverse may bring it in to deep depression. In Islamabad, the government slashed the general sales tax (GST) from Rs. 29 to Rs. 25.50 to control its price of sugar in the domestic market. Crushing is going on smoothly in Maharashtra and Uttar Pradesh, which is likely to affect the futures prices in near future.

FUTURES MARKETS

Sugar futures on the NCDEX observed weak sentiment with bearish undertone. January contract opened at Rs. 1657 and traded downward thereafter on increased selling pressure and tested a low of Rs. 1645 and finally settled in the negative territory. January contract moved in the range of Rs. 1657-1645. Volume declined significantly while open interest remains steady. Market is expected to trade downward following a weak opening.

PRICE DRIVERS

1. Weak physical demand
2. Crushing picks up in UP and Maharashtra
3. Cabinet partially lifts the export ban
4. Government announced higher sale quota
5. Huge increase in production expected

WEATHER

Weather is favourable for the sugarcane crop.

TECHNICALS

NCDEX January contract, candlestick chart pattern exhibits bearish sentiment. Technical indicators MACD, RSI and Stochastic indicating bearish market. Closing price is far below the 9 days EMA and the 18 days EMA that indicates the trend will continue. Market is expected to trade downward following a steady to weak opening with possibility of slight late upward movement.



SUPPORT / RESISTANCES:

Contract	S1	S2	PCP	R1	R2
NCDEX-Sugar M-January Contract	1638	1630	1651	1668	1679

TRADE RECOMMENDATION:

SELL NCDEX - January Sugar M below 1659 with **target** towards 1649 then second target of 1644. **Stop loss** above 1665. Do not carry-forward the position until the next day.

Spot Market Prices

Origin/Grade	Center	29.12.06	28.12.06	Rs./qtl
Ready Sugar (M Grade)	Delhi	1665-1685	1665-1690	-5
Ready Sugar (S Grade)	Delhi	1650-1670	1650-1675	-5
Mill Delivery	Delhi	1580-1600	1580-1605	-5

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