

SUGAR

23rd December 2006

SPOT MARKETS

Spot market prices of sugar eased slightly in the major trading centers like Delhi, Muzaffarnagar and Kolkata on weak physical demand. Traders are in wait and watch state and looking forward for the government's next move on complete resumption of sugar export, which is awaited. Market will pick up as and when government allows export of sugar. Further, the Cabinet has announced the SMP of sugarcane for the 2007-08 sugar season at Rs. 81.81 per qtl for a basic recovery rate of 9 per cent subject to a premium of Rs 0.90 for every 0.1 percentage point increase in the recovery above that level. Crashing is going on smoothly in UP and Maharashtra.

FUTURES MARKETS

Sugar futures on the NCDEX observed narrow range bound trade with bearish tone. January contract opened weak with a small gap down at Rs. 1692. Increased selling pressure pushed the futures to trade downwards and tested a low of Rs. 1679 and finally settled in the negative territory. January contract moved in the range of Rs. 1692-1679. Volume increased significantly. A range bound movement is expected in the market.

PRICE DRIVERS

1. Weak physical demand
2. Crashing picks up in UP and Maharashtra
3. Cabinet partially lifts the export ban
4. Cabinet decision over complete removal of sugar export ban is still awaited
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 favours for the bears. Closing price is far below the 9 days EMA and the 18 days EMA. Market is expected to trade downward following a steady to weak with possibility of slight late upward movement.



SUPPORT / RESISTANCES:

Contract	S1	S2	PCP	R1	R2
NCDEX-Sugar M-January Contract	1674	1668	1684	1701	1710

TRADE RECOMMENDATION:

SELL NCDEX - January Sugar M below 1695 with **target** towards 1684 then second target of 1680. **Stop loss** above 1701. Do not carry-forward the position until the next day.

Spot Market Prices

Rs./qtl

Origin/Grade	Center	22.12.06	21.12.06	Change
Ready Sugar (M Grade)	Delhi	1670-1695	1690-1705	-10
Ready Sugar (S Grade)	Delhi	1655-1680	1675-1690	-10
Mill Delivery	Delhi	1585-1610	1605-1620	-10

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