

## SUGAR

12th January 2007

### SPOT MARKETS

Spot market prices of sugar declined in the majority of markets like Delhi, Muzaffarnagar and Kolkata on weak physical demand. The government is planning to lift the ban on export of sugar. The Cabinet Committee on Prices (CCP) will soon consider a formal proposal for the same. It is based on the estimates of bumper production this year, which will lead to a 33,00,000 tonnes surplus in the market. The proposal for lifting of ban has been piloted by Union Agriculture Minister. Indian sugar may not be very price-competitive in the global market such as Gulf countries, Africa, Sri Lanka and Bangladesh as these countries are now importing sugar at \$ 350 to \$ 370 per tonne C&F. However, the decision over the entire resumption of sugar export is still awaited by the government side and any positive news will boost the sugar futures, as the trading activity will pick up in the market. Crushing on the other hand is going on smoothly in UP and Maharashtra.

### FUTURES MARKETS

Sugar futures on the NCDEX observed firm sentiment with bullish tone. February contract opened firm at Rs. 1570 against the previous close of Rs. 1565 and traded upward thereafter on increased buying interest and tested a high of Rs. 1585 and finally settled in the positive territory. February contract moved in the range of Rs. 1585-1566. Volume increased significantly while open interest increased marginally.

### PRICE DRIVERS

1. Weak physical demand
2. Crushing picks up in UP and Maharashtra
3. Mills are quoting lower prices in the market
4. Cabinet partially lifts the export ban
5. Huge increase in production expected

### WEATHER

Weather is favourable for harvesting of the sugarcane crop.

### TECHNICALS

NCDEX February contract, candlestick chart pattern exhibits bullish sentiment. Technical indicators MACD and RSI favour the bulls while Stochastic hints the bears. 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 downwards following a steady to firm opening with possibility of slight late upward movement.



### SUPPORT / RESISTANCES:

Contract	S1	S2	PCP	R1	R2
NCDEX-Sugar M-February Contract	1559	1552	1575	1593	1600

### TRADE RECOMMENDATION:

**SELL** NCDEX - February Sugar M below 1580 with **target** towards 1570 then second target of 1568. **Stop loss** above 1585. Do not carry-forward the position until the next day.

### Spot Market Prices

Rs./qtl

Origin/Grade	Center	11.01.07	10.01.07	Change
Ready Sugar (M Grade)	Delhi	1555-1585	1560-1595	-10
Ready Sugar (S Grade)	Delhi	1540-1570	1545-1580	-10
Mill Delivery	Delhi	1470-1500	1475-1510	-10

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