

## SUGAR

13th January 2007

### SPOT MARKETS

Spot market prices of sugar declined in the major trading centers like Delhi and Kolkata amidst weak demand and normal supply while the spot prices in Muzaffarnagar remain steady as compare to the yesterday's price on subdued demand. After a long wait the government on Thursday completely lifted the ban on sugar export with immediate effect, taking into account higher domestic production and a comfortable buffer stock. As India is likely to produce 23 - 24 million tonnes during current sugar season, which would lead to a surplus of 33,00,000 tonnes in the market. As per the Union Agriculture Minister, the Indian sugar exports are competitive and the government is studying the option of giving export subsidies as the Indian sugar prices are above the Liffe (London) price levels, making India's export less profitable. Crushing on the other hand is going on smoothly in UP and Maharashtra.

### FUTURES MARKETS

Sugar futures on the NCDEX observed weak sentiment with bearish undertone. February contract opened firm at Rs. 1588 against the previous close of Rs. 1575 and traded upward thereafter on increased buying interest and tested a high of Rs. 1610 in the early hours of the trade. However, selling pressure at higher level pushed the futures to trade downwards and finally settled in the negative territory. February contract moved in the range of Rs. 1610-1570. Volume increased from 9430 to 9780 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 completely lifted the ban on sugar export
5. Huge increase in production expected

### WEATHER

Weather is favourable for harvesting of the sugarcane crop.

### TECHNICALS

NCDEX February contract, candlestick chart pattern exhibits bearish sentiment. Technical indicators Stochastic and RSI favour the bears while MACD hints the bulls. 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 weak opening with possibility of slight late upward movement.



### SUPPORT / RESISTANCES:

Contract	S1	S2	PCP	R1	R2
NCDEX-Sugar M-February Contract	1558	1550	1571	1593	1610

### TRADE RECOMMENDATION:

**SELL** NCDEX - February Sugar M below 1576 with **target** towards 1566 then second target of 1563. **Stop loss** above 1581. Do not carry-forward the position until the next day.

### Spot Market Prices

Rs./qtl

Origin/Grade	Center	12.01.07	11.01.07	Change
Ready Sugar (M Grade)	Delhi	1555-1580	1555-1585	-5
Ready Sugar (S Grade)	Delhi	1540-1565	1540-1570	-5
Mill Delivery	Delhi	1470-1495	1470-1500	-5

### Disclaimer

The information and opinions contained in the document have been compiled from sources believed to be reliable. The company does not warrant its accuracy, completeness and correctness. Use of data and information contained in this report is at your own risk. This document is not, and should not be construed as, an offer to sell or solicitation to buy any commodities. This document may not be reproduced, distributed or published, in whole or in part, by any recipient hereof for any purpose without prior permission from the Company. IASL and its affiliates and/or their officers, directors and employees may have positions in any commodities mentioned in this document (or in any related investment) and may from time to time add to or dispose of any such commodities (or investment). Please see the detailed disclaimer at <http://www.agriwatch.com/Disclaimer.asp>