

SUGAR

17th January 2007

SPOT MARKETS

Spot market prices of sugar remains steady in the major trading centers like Delhi and Kolkata on subdued demand while the spot prices in Muzaffarnagar recovered on improved physical demand as well as higher quotes of mills. Further, as per the industry sources, India's export at this stage is not economical, as the global prices have dipped by \$ 125 to 150 a tonne and to make export profitable government must think for the export subsidies like transportation, ocean freight etc. Meanwhile, Food Secretary stated that the government was not planning to provide any subsidy for sugar export, a demand raised by the industry amid falling global prices and a bumper sugar crop. In futures market, January sugar futures hit upper circuit of 4% today, as short covering by speculators to avoid delivery, pushed the prices higher. Other contracts were also dragged along with it on spillover impact.

FUTURES MARKETS

Sugar futures on the NCDEX observed firm sentiment with bullish tone. February contract opened weak at Rs. 1589 against the previous close of Rs. 1591 and traded downwards thereafter and tested a low of Rs. 1585. However, futures recovered sharply on increased buying interest at lower level and tested a high of Rs. 1625 and finally settled in the positive territory. February contract moved in the range of Rs. 1625-1585. Volume increased from 4690 to 10630 while open interest increased from 13950 to 15090.

PRICE DRIVERS

1. Improved physical demand
2. Crushing picks up in UP and Maharashtra
3. Mills are quoting higher 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 bullish sentiment. Technical indicators Stochastic, MACD and RSI favour the bulls. Prices closed well above both the 9 days EMA and the 18 days EMA. Market is expected to trade upward following a steady to slight firm opening with possibility of slight late downward movement.



SUPPORT / RESISTANCES:

Contract	S1	S2	PCP	R1	R2
NCDEX-Sugar M-February Contract	1600	1590	1620	1638	1644

TRADE RECOMMENDATION:

BUY NCDEX - February Sugar M above 1614 with **target** towards 1624 then second target of 1630. **Stop loss** below 1609. Do not carry-forward the position until the next day.

Spot Market Prices

Rs./qtl

Origin/Grade	Center	16.01.07	15.01.07	Change
Ready Sugar (M Grade)	Delhi	1575-1625	1575-1625	-
Ready Sugar (S Grade)	Delhi	1560-1610	1560-1610	-
Mill Delivery	Delhi	1490-1540	1490-1540	-

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