

SUGAR

4th January 2007

SPOT MARKETS

Spot market prices of sugar declined slightly in the major markets like Delhi and Muzaffarnagar on weak demand as well as Mills are quoting their stock at lower prices in the market, while the spot prices in Kolkata recovered slightly on slight demand. Government is yet to take decision over the entire resumption of sugar export, which is awaited. Countries like Brazil and Thailand are taking advantage due to the India's absence from the international market and they are gradually capturing the markets in South Asia and Africa. The inability to export is also affected the domestic prices, with ex-factory realization dropping below Rs. 1400/qlt in Maharashtra, Rs. 1450 in Tamil Nadu and Rs. 1600 in UP. Crushing is going on smoothly in Maharashtra and UP, which may also hamper the prices in near future.

FUTURES MARKETS

Sugar futures on the NCDEX observed weak sentiment with bearish undertone. January contract opened weak at Rs. 1653 against the previous close of Rs. 1658 and traded upward thereafter and tested a high of Rs. 1655. However, selling pressure at higher level pushed the futures to trade downwards and tested a low of Rs. 1645 and finally settled in the negative side. January contract moved in the range of Rs. 1655-1645. Volume increased marginally while open interest declined marginally.

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 harvesting of the sugarcane crop.

TECHNICALS

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



SUPPORT / RESISTANCES:

Contract	S1	S2	PCP	R1	R2
NCDEX-Sugar M-January Contract	1629	1620	1645	1667	1671

TRADE RECOMMENDATION:

SELL NCDEX - January Sugar M below 1650 with **target** towards 1640 then second target of 1637. **Stop loss** above 1655. Do not carry-forward the position until the next day.

Spot Market Prices

Origin/Grade	Center	03.01.07	02.01.07	Rs./qlt Change
Ready Sugar (M Grade)	Delhi	1635-1660	1635-1665	-5
Ready Sugar (S Grade)	Delhi	1620-1645	1620-1650	-5
Mill Delivery	Delhi	1550-1575	1550-1580	-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>