

SUGAR

30th January 2007

SPOT MARKETS

Spot market prices of sugar declined in the majority of markets like Delhi, Muzaffarnagar and Kolkata on continued sluggish demand and no one is keen to stocking up due to expectations of higher production this season. Further, sweet tidings for sugar factories in Karnataka, as the centre has permitted the state to produce 3.3 crore liters of ethanol to supply it to oil companies. The center permitted 5% ethanol blending in India, which may create a demand of 550 million liters for the current year and the centre is planning to blend 10% ethanol in phase -2 which will generate a demand of 1200 million liters. Sugar prices in the country are likely to dip with a projected production of 23-24 million tonne and with a carryover stock of 4 million tonne. Despite good sugar output, the diversion of cane to ethanol production in India and similarly to the rest of the globe would provide support to prices in the long run.

FUTURES MARKETS

Sugar futures on the NCDEX observed narrow range bound trade with slightly bullish tone. February contract opened weak at Rs. 1585 against the previous close of Rs. 1589. However, futures traded upwards on buying interest at lower level and tested a high of Rs. 1591 and finally settled in the negative side. February contract moved in the range of Rs. 1591-1585. Active trading was absent in the market, as reflected by the meager volume of the trade.

PRICE DRIVERS

1. Subdued demand
2. Crushing picks up in UP and Maharashtra
3. Improved supply from mills
4. Cabinet completely lifted the ban on sugar export
5. Huge increase in production expected

WEATHER

Weather is favourable for harvesting of mid-season sugarcane crop and recently sown seasonal sugarcane.

TECHNICALS

NCDEX February contract, candlestick chart pattern exhibits bullish sentiment. Technical indicators MACD and RSI hint for the bulls, while Stochastic favour the bears. Prices closed 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-February Contract	1576	1570	1588	1600	1608

TRADE RECOMMENDATION:

SELL NCDEX - February Sugar M below 1592 with **target** towards 1584 then second target of 1580. **Stop loss** above 1597. Do not carry-forward the position until the next day.

Spot Market Prices

Rs./qtl

Origin/Grade	Center	29.01.07	27.01.07	Change
Ready Sugar (M Grade)	Delhi	1575-1610	1575-1625	-15
Ready Sugar (S Grade)	Delhi	1560-1595	1560-1610	-15
Mill Delivery	Delhi	1490-1525	1490-1540	-15

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