

## SUGAR

19th January 2007

### SPOT MARKETS

Sugar spot market observed normal day trading activity where the spot market prices of sugar improved in the major trading centers like Muzaffarnagar, Delhi and Kolkata amidst improved physical demand and normal supply. Falling global sugar prices rendered export unattractive for India. London (Liffe) white sugar prices have declined from \$330 to \$328 a tonne, while the domestic prices continued to trade at Rs. 1525-30 a quintal. Apart from this the government has not yet prepared any proposal for providing subsidies to sugar company for facilitating export. In New South Wales (Australia), despite the harvest is hampered by the rains, sugar industry has crushed a record-breaking crop and has produced 2.6 million tonnes of sugar.

### FUTURES MARKETS

Sugar futures on the NCDEX observed weak sentiment with bearish tone. February contract opened firm at Rs. 1612 against the previous close of Rs. 1609. However, selling pressure at higher level pushed the futures to trade downwards and tested a low of Rs. 1600 and finally settled in the negative territory. February contract moved in the range of Rs. 1613-1600. Volume decline from 8220 to 4570 while open interest declined marginally.

### 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 bearish sentiment. Technical indicators Stochastic and MACD favour the bulls while RSI favour the bears. Prices closed between 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	1589	1580	1602	1630	1638

### TRADE RECOMMENDATION:

**SELL** NCDEX - February Sugar M below 1608 with **target** towards 1598 then second target of 1594. **Stop loss** above 1613. Do not carry-forward the position until the next day.

### Spot Market Prices

Rs./qtl

Origin/Grade	Center	18.01.07	17.01.07	Change
Ready Sugar (M Grade)	Delhi	1595-1660	1595-1655	+5
Ready Sugar (S Grade)	Delhi	1580-1645	1580-1640	+5
Mill Delivery	Delhi	1510-1575	1510-1570	+5

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