

## SUGAR

18th January 2007

### SPOT MARKETS

Spot market prices of sugar recovered in the major markets like Delhi, Muzaffarnagar and Kolkata on good physical demand as well as mills are continuing to quote higher prices in the market. Further, sugar production in Thailand, may reach a three-year high this year. Production may rise to 6.5 million tonnes in the year ending April from last year's 4.8 million tonnes as farmers boost planting, adding to global oversupply. Global supply is also being boosted by increased production in Brazil and India, where output is forecast to reach a record 24 million tonnes. In effect the export market has become very competitive with rising sugar output and declining global sugar prices. In London, Euronext.liffe is going to launch Raw Sugar futures and options contracts in Feb'07. The contract will be physically delivered and trade alongside the existing White Sugar contracts. The new contracts will be listed on Liffe Connect, the world's most advanced electronic trading systems and the electronic platform.

### FUTURES MARKETS

Sugar futures on the NCDEX observed weak sentiment with slightly bearish tone. February contract opened firm at Rs. 1625 against the previous close of Rs. 1621 and traded upwards thereafter and tested a high of Rs. 1628. However, selling pressure at higher level pushed the futures to trade downward and tested a low of Rs. 1605 and finally settled red. February contract moved in the range of Rs. 1628-1605. Volume decline from 10630 to 8220 while open interest increased from 15090 to 15770.

### 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 both the 9 days EMA and the 18 days EMA. Market is expected to trade upward following a steady to weak opening with possibility of slight late downward movement.



### SUPPORT / RESISTANCES:

Contract	S1	S2	PCP	R1	R2
NCDEX-Sugar M-February Contract	1590	1580	1607	1630	1638

### TRADE RECOMMENDATION:

**BUY** NCDEX - February Sugar M above 1600 with **target** towards 1610 then second target of 1615. **Stop loss** below 1595. Do not carry-forward the position until the next day.

### Spot Market Prices

Origin/Grade	Center	17.01.07	16.01.07	Change
Ready Sugar (M Grade)	Delhi	1595-1655	1575-1625	+30
Ready Sugar (S Grade)	Delhi	1580-1640	1560-1610	+30
Mill Delivery	Delhi	1510-1570	1490-1540	+30

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