

## SUGAR

20th January 2007

### SPOT MARKETS

Spot market prices of sugar declined in the major trading centers like Muzaffarnagar, Delhi and Kolkata amidst weak physical demand and normal supply. India's export scenario looks unattractive because of the falling global as well as domestic prices and the government taking no initiative for making export economical. However, the government has allowed the export of more than 63,000 tonne under advance license scheme. Further, Maharashtra is likely to replace Uttar Pradesh as the leading sugar producer in the country during the current sugar season (till mid January 2007). As per the data available with ISMA, Maharashtra has produced 26.59 lakh tonne, 36.2 per cent higher compared with 19.51 lakh tonne in the last year, while Uttar Pradesh produced 22.27 lakh tonne, 17.1 per cent increase compared with the last year's 19.01 lakh tonne followed by Karnataka with 6.81 lakh tonne, marginally better than the 6.78 lakh tonne produced last year.

### FUTURES MARKETS

Sugar futures on the NCDEX observed firm sentiment with bullish tone. February contract opened weak at Rs. 1601 against the previous close of Rs. 1604 and traded downwards thereafter and tested a low of Rs. 1596. However, futures recovered on buying interest at lower level and settled in the positive territory. February contract moved in the range of Rs. 1615-1596. Volume decline marginally while open interest increased 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 bullish sentiment. Technical indicators Stochastic, MACD and RSI favour the bulls. Prices closed between 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	1592	1585	1612	1630	1638

### TRADE RECOMMENDATION:

**BUY** NCDEX - February Sugar M above 1608 with **target** towards 1618 then second target of 1621. **Stop loss** below 1603. Do not carry-forward the position until the next day.

### Spot Market Prices

Rs./qtl

Origin/Grade	Center	19.01.07	18.01.07	Change
Ready Sugar (M Grade)	Delhi	1575-1635	1595-1660	-25
Ready Sugar (S Grade)	Delhi	1560-1620	1580-1645	-25
Mill Delivery	Delhi	1490-1550	1510-1575	-25

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