

SUGAR

10th January 2007

SPOT MARKETS

Spot market prices of sugar declined in the majority of markets like Muzaffarnagar, Delhi and Kolkata on weak demand as well as mills are continuing to quote lower prices in the market. Mills in Maharashtra are quoting Rs. 1350 per qtl against the price of Rs 1,750 per qtl. In UP, the prices have dropped from Rs 1,850 to Rs 1,550, with some sales taking place at even at Rs 1,500 and in Tamil Nadu, the prices have fallen from Rs 1,800 to Rs 1,450 per qtl, which also affected the spot market sentiment. Further, in Karachi (Pakistan) the price of sugar increased by Rs. 100 on 100kg-sack as the mills are providing less sugar in the market. Resultantly, sugar prices per kg increased in the retail market. Government decision is still awaited over the complete resumption of sugar export, which is likely to announce soon. Crushing is going on smoothly in UP and Maharashtra, which may hamper the prices in near future.

FUTURES MARKETS

Sugar futures on the NCDEX observed weak sentiment with bearish undertone. February contract opened weak at Rs. 1580 against the previous close of Rs. 1591 and traded upwards thereafter and tested a high of Rs. 1588. However, selling pressure at higher level pushed the futures to trade downward and tested a low of Rs. 1573 and finally settled in the negative side. February contract moved in the range of Rs. 1588-1573. Volume declined significantly while open interest remains steady.

PRICE DRIVERS

1. Weak physical demand
2. Crushing picks up in UP and Maharashtra
3. Mills are quoting lower prices in the market
4. Cabinet partially lifts the export ban
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 MACD, RSI and Stochastic favour the bears. Closing price is far below the 9 days EMA and the 18 days EMA that indicates the trend will continue. Market is expected to trade downwards 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	1565	1560	1576	1599	1610

TRADE RECOMMENDATION:

SELL NCDEX - February Sugar M below 1585 with **target** towards 1575 then second target of 1572. **Stop loss** above 1590. Do not carry-forward the position until the next day.

Spot Market Prices

Origin/Grade	Center	09.01.07	08.01.07	Rs./qtl
Ready Sugar (M Grade)	Delhi	1570-1600	1575-1610	-10
Ready Sugar (S Grade)	Delhi	1555-1585	1560-1595	-10
Mill Delivery	Delhi	1485-1515	1490-1525	-10

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