

SUGAR

5th January 2007

SPOT MARKETS

Spot market prices of sugar declined slightly in the majority of markets like Delhi, Kolkata and Muzaffarnagar on weak physical demand as well as Mills are continuing to quote lower prices in the market, which also affected the spot market sentiment. Further, traders are hoping for complete resumption of sugar export, which is awaited by the government side. Trading activity will pick up as and when government allows complete sugar export. Crushing on the other hand is going on smoothly in Uttar Pradesh and Maharashtra, which is likely to affect the prices in near futures.

FUTURES MARKETS

Sugar futures on the NCDEX observed firm sentiment with slightly bullish tone. January contract opened weak at Rs. 1641 against the previous close of Rs. 1647 and traded downward thereafter and tested a low of Rs. 1634. However, buying interest at lower level supported the futures to trade upwards and finally settled in the positive side. January contract moved in the range of Rs. 1654-1634. Volume increased significantly while open interest declined marginally.

PRICE DRIVERS

1. Weak physical demand
2. Crushing picks up in UP and Maharashtra
3. Cabinet partially lifts the export ban
4. Government announced higher sale quota
5. Huge increase in production expected

WEATHER

Weather is favourable for harvesting of the sugarcane crop.

TECHNICALS

NCDEX January contract, candlestick chart pattern exhibits bullish sentiment. Technical indicators MACD and Stochastic favour the bulls, while RSI hints for the bears. Closing price is below the 9 days EMA and the 18 days EMA. Market is expected to trade upwards following a steady to weak opening with possibility of slight late downward movement.



SUPPORT / RESISTANCES:

Contract	S1	S2	PCP	R1	R2
NCDEX-Sugar M-January Contract	1630	1625	1646	1668	1672

TRADE RECOMMENDATION:

BUY NCDEX - January Sugar M above 1640 with **target** towards 1650 then second target of 1655. **Stop loss** below 1635. Do not carry-forward the position until the next day.

Spot Market Prices

Origin/Grade	Center	04.01.07	03.01.07	Rs./qtl
Ready Sugar (M Grade)	Delhi	1625-1650	1635-1660	-10
Ready Sugar (S Grade)	Delhi	1610-1635	1620-1645	-10
Mill Delivery	Delhi	1540-1565	1550-1575	-10

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