

SUGAR

9th January 2007

SPOT MARKETS

Spot market prices of sugar declined in the major trading centers like Muzaffarnagar, Delhi and Kolkata amidst weak demand and normal supply. Mills are continuing to quote lower prices in the market, which also affected the spot market sentiment. Government decision is still awaited over the entire sugar export, which is likely to announce soon. Internationally, sugar prices have softened over the past six months when India imposed ban on sugar export and the Indian sugar prices are above the Liffe price levels, which making India's export less lucrative. Crushing is going on smoothly in UP and Maharashtra.

FUTURES MARKETS

Sugar futures on the NCDEX observed weak sentiment with bearish undertone. February contract opened weak at Rs. 1604 against the previous close of Rs. 1612 and traded downward thereafter on increased selling pressure and tested a low of Rs. 1577 and finally settled in the negative side. February contract moved in the range of Rs. 1606-1577. Volume increased significantly while open interest declined significantly.

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. 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	1568	1565	1587	1621	1630

TRADE RECOMMENDATION:

SELL NCDEX - February Sugar M below 1595 with **target** towards 1585 then second target of 1582. **Stop loss** above 1601. Do not carry-forward the position until the next day.

Spot Market Prices

Rs./qtl

Origin/Grade	Center	08.01.07	06.01.07	Change
Ready Sugar (M Grade)	Delhi	1575-1610	1585-1620	-10
Ready Sugar (S Grade)	Delhi	1560-1595	1570-1605	-10
Mill Delivery	Delhi	1490-1525	1500-1535	-10

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