

SUGAR

23rd January 2007

SPOT MARKETS

Spot market prices of sugar were quoted higher in the major trading centers like Delhi and Kolkata on improved physical demand, while spot prices in Muzaffarnagar declined slightly on weak demand. Sugar prices this season is significantly low due to which mills may face difficulty in clearing cane payments to the farmers, which adversely affect the sugarcane planting and the acreage. Globally the market is very competitive, as the international prices come down to \$328 from the peak of \$420, making export unattractive for India. Sugar being a regulated sector, government must do something to make export globally competitive by providing industry with subsidy for export.

FUTURES MARKETS

Sugar futures on the NCDEX observed weak sentiment with bearish undertone. February contract opened weak at Rs. 1610 against the previous close of Rs. 1611 and traded downwards thereafter on increased selling pressure and tested a low of Rs. 1598 and finally settled in the negative territory. February contract moved in the range of Rs. 1610-1598. Volume and open interest remain steady during the Monday's trade.

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 and favours arrival.

TECHNICALS

NCDEX February contract, candlestick chart pattern exhibits bearish sentiment. Technical indicators MACD favour the bulls, while RSI and Stochastic favour the bear. Prices closed below the 9 days EMA and the 18 days EMA. Market is expected to trade downward 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	1585	1579	1600	1615	1618

TRADE RECOMMENDATION:

SELL NCDEX - February Sugar M below 1605 with **target** towards 1595 then second target of 1592. **Stop loss** above 1610. Do not carry-forward the position until the next day.

Spot Market Prices

Rs./qtl

Origin/Grade	Center	22.01.07	20.01.07	Change
Ready Sugar (M Grade)	Delhi	1585-1655	1585-1650	+5
Ready Sugar (S Grade)	Delhi	1570-1640	1570-1635	+5
Mill Delivery	Delhi	1500-1570	1500-1565	+5

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