

SUGAR

31st January 2007

SPOT MARKETS

Spot market prices of sugar continue to decline in the majority of markets like Delhi, Muzaffarnagar and Kolkata on weak physical demand and no one is keen to stocking up. In Maharashtra, despite lower recovery levels, caused due to unfavorable climatic condition. Mills are likely to end up producing over 70 lakh tonnes of sugar during the current season 2006-07. There is no change to the earlier estimate of 70 lakh tonne. Further, the European Commission proposed to cut the sugar production quotas for the MY2007-08 by 12 percent to prevent a significant surplus in the European Union (EU). Such a cut means that part of the sugar produced in the MY2007-08 will either have to be counted against the quota for 2008-09 or be sold as out of quota sugar for industrial use, including bioethanol and chemical industry.

FUTURES MARKETS

Sugar futures on the NCDEX observed narrow range bound trade with bearish undertone. February contract opened weak at Rs. 1588 against the previous close of Rs. 1589 and traded downwards on selling pressure at current level and tested a low of Rs. 1582 and finally settled in the negative territory. February contract moved in the range of Rs. 1589-1582. Active trading was absent in the market, as reflected by the meager volume of the trade.

PRICE DRIVERS

1. Weak physical demand
2. Crushing picks up in UP and Maharashtra
3. Improved supply from mills
4. Cabinet completely lifted the ban on sugar export
5. Huge increase in production expected

WEATHER

Weather is favourable for harvesting of mid-season sugarcane crop and recently sown seasonal sugarcane.

TECHNICALS

NCDEX February contract, candlestick chart pattern exhibits bearish sentiment. Technical indicators MACD, RSI and Stochastic hint for the bears. Prices closed below the 9 days EMA and the 18 days EMA. Range bound movement is expected in the market 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	1576	1570	1585	1600	1608

TRADE RECOMMENDATION:

SELL NCDEX - February Sugar M below 1590 with **target** towards 1586 then second target of 1580. **Stop loss** above 1595. Do not carry-forward the position until the next day.

Spot Market Prices

Origin/Grade	Center	30.01.07	29.01.07	Change
Ready Sugar (M Grade)	Delhi	1565-1600	1575-1610	-10
Ready Sugar (S Grade)	Delhi	1550-1585	1560-1595	-10
Mill Delivery	Delhi	1480-1515	1490-1525	-10

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