

SUGAR

2nd January 2007

SPOT MARKETS

Spot market prices of sugar declined in the majority of markets like Delhi, Muzaffarnagar and Kolkata on weak physical demand. Trading activity mostly remains silent in the market due to Id-Uz-Zuha (Bakri Id) holiday and New Year celebration. Government decision is awaited over the complete resumption of sugar export and as per Food Secretary government will first review the estimates of sugar production then any decision will be taken and any positive news will boost the sugar futures. Crushing on the other hand is going on smoothly in Maharashtra and UP, which may hamper the prices in near future.

FUTURES MARKETS

Sugar futures on the NCDEX observed firm sentiment with slightly bullish tone. January contract opened weak at Rs. 1640 and traded downward thereafter and tested a low of Rs. 1638. However, buying interest at lower level supported the futures to trade upward and tested a high of 1650 and finally settled green. January contract moved in the range of Rs. 1650-1638 with increasing volume and open interest.

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 slightly bullish sentiment. Technical indicators MACD, RSI and Stochastic indicating bearish market. 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 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-January Contract	1635	1629	1645	1668	1679

TRADE RECOMMENDATION:

SELL NCDEX - January Sugar M below 1657 with **target** towards 1647 then second target of 1642. **Stop loss** above 1663. Do not carry-forward the position until the next day.

Spot Market Prices

Origin/Grade	Center	01.12.06	30.12.06	Rs./qtl
Ready Sugar (M Grade)	Delhi	1635-1670	1655-1675	-5
Ready Sugar (S Grade)	Delhi	1620-1655	1640-1660	-5
Mill Delivery	Delhi	1550-1585	1570-1590	-5

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