

## SUGAR

25th January 2007

### SPOT MARKETS

Spot market prices of sugar eased slightly in the major trading centers like Delhi and Muzaffarnagar amidst weak physical demand and improved supply from mills, while the spot prices in Kolkata improved slightly on improved demand. Nearly two weeks after the Union Cabinet approved a complete lifting of the ban, the Director General of Foreign Trade (DGFT) issued notification on lifting of ban on sugar export. The notification states that the prohibition on exports (imposed on July 4, 2006) shall not apply to export of sugar executed against valid release orders issued by the Directorate of Sugar in the Ministry of Consumer Affairs, Food and Public Distribution, up to the limits approved by the Government, after which fresh approvals will be taken for further releases. The latest DGFT's notification seems that the cabinet is still in two minds in freeing export.

### FUTURES MARKETS

Sugar futures on the NCDEX observed lacklustre with slightly bullish tone. February contract opened weak at Rs. 1581 against the previous close of Rs. 1588 and traded downwards thereafter and tested a low of Rs. 1576. However, futures recovered on buying interest and finally settled in the positive side. February contract moved in the range of Rs. 1590-1576. Volume declined significantly while open interest remains steady.

### 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 the sugarcane crop and favours arrival.

### TECHNICALS

NCDEX February contract, candlestick chart pattern exhibits bullish sentiment. Technical indicators MACD, RSI and Stochastic favour the bears. Prices closed between 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	1576	1570	1590	1600	1608

### TRADE RECOMMENDATION:

**SELL** NCDEX - February Sugar M below 1592 with **target** towards 1582 then second target of 1580. **Stop loss** above 1597. Do not carry-forward the position until the next day.

### Spot Market Prices

Origin/Grade	Center	24.01.07	23.01.07	Rs./qtl
Ready Sugar (M Grade)	Delhi	1575-1630	1575-1635	-5
Ready Sugar (S Grade)	Delhi	1560-1615	1560-1620	-5
Mill Delivery	Delhi	1490-1545	1490-1550	-5

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