

SUGAR

24th January 2007

SPOT MARKETS

Spot market prices of sugar were quoted lower in the major trading centers like Delhi, Muzaffarnagar and Kolkata amidst weak physical demand and improved supply from the mills. Sugar exports have not picked up, as the exporters did not find global prices attractive. In the meantime, sugarcane crushing gained momentum and supplies swelled and India is likely to produce 23-24 million tonnes of sugar during the current sugar season (2006-07), which reflects domestic sugar surplus and due to which prices likely to remain depressed in the market.

FUTURES MARKETS

Sugar futures on the NCDEX observed lacklustre with bearish undertone. February contract opened weak at Rs. 1595 against the previous close of Rs. 1601 and traded upwards thereafter and tested a high of Rs. 1600. However, selling pressure at higher level pushed the futures to trade downwards and finally settled in the negative side. February contract moved in the range of Rs. 1600-1585. Volume increased significantly while open interest declined marginally.

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 bearish sentiment. Technical indicators MACD, RSI and Stochastic favour the bears. 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	1576	1570	1588	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

Rs./qtl

Origin/Grade	Center	23.01.07	22.01.07	Change
Ready Sugar (M Grade)	Delhi	1575-1635	1585-1655	-20
Ready Sugar (S Grade)	Delhi	1560-1620	1570-1640	-20
Mill Delivery	Delhi	1490-1550	1500-1570	-20

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