

SUGAR

11th January 2007

SPOT MARKETS

Spot market prices of sugar declined in the majority of markets like Delhi, Muzaffarnagar and Kolkata on weak demand as well as mills are continuing to quote lower prices in the market. Government's decision is awaited over the complete resumption of sugar export, which is likely to announce soon. Further, India is likely to export 1,00,000 tonne of sugar under advance license scheme (ALS) between US \$ 335 to \$ 347 a tonne, for which contracts are currently being finalized. In Pakistan, sugar output is expected to around 3.5 million tonne with carryover stock (6,00,000 tonne) of last year. The output in the current season has already touched 4,00,000 tonne. Last year, it produced around 2.5 million tonne of sugar against a demand for 3.8 million tonne forcing it to lift 4-year ban on imports from India due to the rising sugar prices and imported 200000 tonne from India. However, the situation is different this year. India's export market is likely to shrink to that extent. Crushing is going on smoothly in UP and Maharashtra, which may hamper the prices in near future.

FUTURES MARKETS

Sugar futures on the NCDEX observed weak sentiment with bearish undertone. February contract opened weak at Rs. 1574 against the previous close of Rs. 1578 and traded upward thereafter to test a high of Rs. 1580. However, selling pressure at higher level pushed the futures to trade downward and tested a low of Rs. 1565 and finally settled in the negative territory. February contract moved in the range of Rs. 1580-1565. Volume declined significantly while open interest increased marginally.

PRICE DRIVERS

1. Weak physical demand
2. Crushing picks up in UP and Maharashtra
3. Mills are quoting lower prices in the market
4. Cabinet partially lifts the export ban
5. Huge increase in production expected

WEATHER

Weather is favourable for harvesting of the sugarcane crop.

TECHNICALS

NCDEX February contract, candlestick chart pattern exhibits bearish sentiment. Technical indicators MACD and RSI favour the bears while Stochastic hints the bulls. 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 downwards 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	1552	1545	1565	1587	1593

TRADE RECOMMENDATION:

SELL NCDEX - February Sugar M below 1572 with **target** towards 1562 then second target of 1559. **Stop loss** above 1577. Do not carry-forward the position until the next day.

Spot Market Prices

Origin/Grade	Center	10.01.07	09.01.07	Change
Ready Sugar (M Grade)	Delhi	1560-1595	1570-1600	-5
Ready Sugar (S Grade)	Delhi	1545-1580	1555-1585	-5
Mill Delivery	Delhi	1475-1510	1485-1515	-5

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