

## SUGAR

6th January 2007

### SPOT MARKETS

Spot market prices of sugar eased in the major trading centers like Delhi, Kolkata and Muzaffarnagar on weak physical demand as well as Mills are continuing to quote lower prices in the market. The centre has formally notified the partial lifting of ban under ALS on sugar export. The notification issued by the Directorate General of Foreign Trade (DGFT), allows sugar mills holding advance licences (AL) to discharge their pending white sugar re-export obligations against past duty-free imports of raw sugar undertaken by them. The outstanding re-export commitment against AL is estimated at around 12 lt. As per the DGFT notification the prohibition shall not apply to export of sugar by existing AL holders as on 4th July 2006 as per their obligations on that date. However, the decision over the entire resumption of sugar export is awaited and as per the India Agriculture Minister, the government is likely to lift the ban on sugar export within 20 days. He said the proposal to lift ban on sugar export would be take up at the next meeting of the Cabinet. Any positive news will boost the sugar futures.

### FUTURES MARKETS

Sugar futures on the NCDEX witnessed weak sentiment with bearish undertone. January contract opened weak at Rs. 1641 against the previous close of Rs. 1646 and traded downward thereafter on increased selling pressure and tested a low of Rs. 1617 and finally settled in the negative territory. January contract moved in the range of Rs. 1637-1617. Volume increased significantly while open interest declined 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 January contract, candlestick chart pattern exhibits bearish sentiment. Technical indicators MACD, RSI and Stochastic favour the bears. Closing price is far below the 9 days EMA and the 18 days EMA. 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-January Contract	1603	1588	1623	1644	1653

### TRADE RECOMMENDATION:

**SELL** NCDEX - January Sugar M below 1635 with **target** towards 1625 then second target of 1622. **Stop loss** above 1640. Do not carry-forward the position until the next day.

### Spot Market Prices

Rs./qtl

Origin/Grade	Center	05.01.07	04.01.07	Change
Ready Sugar (M Grade)	Delhi	1610-1635	1625-1650	-15
Ready Sugar (S Grade)	Delhi	1595-1620	1610-1635	-15
Mill Delivery	Delhi	1525-1550	1540-1565	-15

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