

SUGAR

21st February 2007

SPOT MARKETS

Increased supply from mills against the poor offtake by stockists and bulk consumers further depressed the spot market prices of sugar in the majority of trading centers like Muzaffarnagar, Delhi and Kolkata. According to Agriculture Minister, the government is thinking about creating a buffer stock of sugar keeping in the view of record production in the 2006-07 sugar season and the proposal for the same will be forwarded to the Cabinet in around 15 days. He also added that there are no immediate plans to subsidize exports of sugar, as international prices are likely to decline further adding no benefits to the mills. Falling sugar prices would get some support if government creates a comfortable buffer stock.

FUTURES MARKETS

Sugar futures on the NCDEX observed weak sentiment with bearish undertone. March contract opened weak at Rs. 1518, down Rs. 4 against the previous close of Rs. 1522 and traded upwards initially and tested a high of Rs. 1522. However, selling pressure at higher level pulled down the futures and settled in the negative territory. March contract moved in the range Rs. 1515-1522/qrtl, while February contract fluctuated in the range of Rs. 1561-1650/qrtl. Volume and open interest increased significantly.

PRICE DRIVERS

1. Weak physical demand
2. Crushing at its pick in UP and Maharashtra
3. Increased supply from mills
4. Release of 13 lt free sale quota for Feb'07
5. Estimated bumper production in sugar

WEATHER

Weather is favourable for harvesting of mid-season sugarcane crop and recently sown seasonal sugarcane.

TECHNICALS

NCDEX March contract, candlestick chart pattern exhibits bearish sentiment. Technical indicator Stochastic and RSI is in normal region and moving downwards towards oversold region favoring bears. MACD is in negative region and favour the bears, prices closed far below both the 9 days and 18 days EMA, which indicates the downtrend is likely to continue. Market is expected to trade range bound following a steady to slightly weak opening.



SUPPORT / RESISTANCES:

Contract	S1	S2	PCP	R1	R2
NCDEX-Sugar M-March Contract	1500	1495	1515	1528	1533

TRADE RECOMMENDATION:

SELL NCDEX - March Sugar M below 1520 with **target** towards 1512 then second target of 1510. **Stop loss** near 1525. Do not carry-forward the position until the next day.

Spot Market Prices

Origin/Grade	Center	20.02.07	19.02.07	Change
Ready Sugar (M Grade)	Delhi	1505-1544	1515-1555	-10
Ready Sugar (S Grade)	Delhi	1490-1530	1500-1540	-10
Mill Delivery	Delhi	1420-1460	1430-1470	-10

Rs./qrtl

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