

## SUGAR

15th February 2007

### SPOT MARKETS

Spot market prices of sugar declined in the majority of markets like Muzaffarnagar, Delhi and Kolkata amidst increased supply from mills coupled with poor offtake. The Indian government has approved sugar exports totaling 4 lakh tonnes since a ban on overseas sales was relaxed and then lifted. And according to MD of the National Federation of Cooperative Sugar Factories Ltd., mills are likely to export sugar at \$320-335/ tonne in the overseas market such as Bangladesh, Yemen, Sri Lanka and Indonesia. Though the international prices are not attractive and currently ruling at \$323 making export uneconomical, companies have no other option but to tap the global market due to ample of supplies in the domestic market. To make export profitable government must consider some export subsidy, which is required at the moment due to continuing falling international prices. International prices likely to ease further due to the increased estimates of world sugar production to reach at 160.6 million tonnes as compare to the earlier estimate of 155.5 million tonnes in 2006-07.

### FUTURES MARKETS

Sugar futures on the NCDEX observed narrow range bound trade with bullish tone. March contract opened weak at Rs. 1531, down by Rs. 5 against the previous close of Rs. 1536 and traded upwards initially and tested a high of Rs. 1537. However, selling pressure at higher level pushed the futures to trade downwards and settled in the negative side. March contract moved in the range Rs. 1537-1528/ctl, while February contract fluctuated in the range of Rs. 1570-1550/ctl. Volume declined significantly while 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 indecisive market. Technical indicator Stochastic is in normal region and moving upwards. RSI is in normal region and moving down. MACD is in negative region and favour the bulls, prices closed below both the 9 days and 18 days EMA. 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	1519	1516	1533	1538	1542

### TRADE RECOMMENDATION:

**SELL** NCDEX - March Sugar M below 1535 with **target** towards 1527 then second target of 1525. **Stop loss** above 1540. Do not carry-forward the position until the next day.

### Spot Market Prices

Rs./ctl

Origin/Grade	Center	14.02.07	13.02.07	Change
Ready Sugar (M Grade)	Delhi	1510-1555	1510-1560	-5
Ready Sugar (S Grade)	Delhi	1500-1540	1500-1545	-5
Mill Delivery	Delhi	1430-1470	1430-1475	-5

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