

SUGAR

5th February 2007

SPOT MARKETS

Spot market prices of sugar eased slightly in the major markets like Muzaffarnagar and Kolkata amidst increased supply from mills against reduced offtake, while slight improvement is noted at Delhi. Further, NCDEX and MCX have raised the limit on open positions for near month sugar contracts. At member level, the open position limits for Sugar-M and Sugar-S contracts will be 7,500 metric tonnes (MT) and at client level these limits will be 2,500 MT. The changes in open interest have come to effect from February 2, 2007. Meanwhile, the Union Government is planning to raise excise duty on sugar from Rs 850/tonne to Rs 1000/tonne, an increase of Rs 150/tonne. This will bring additional revenue of Rs 300 crores to Government from 200 lakh tonnes of sugar output, which exclusively utilized in the sugar sector. The sugar prices are likely to improve marginally if the above decision is implemented.

FUTURES MARKETS

Sugar futures on the NCDEX observed firm sentiments with bullish tone. February contract opened weak at Rs. 1569, Rs 3 down against the previous close of Rs. 1572 and traded upwards thereafter on increased buying interest and tested a high of Rs. 1580. However, selling pressure at higher level pushed the futures downwards and settled in the negative side. February contract moved in the range of Rs. 1580-1569. Volume declined from 3430 to 2650, while open interest increased marginally.

PRICE DRIVERS

1. Weak physical demand
2. Crushing at its pick in UP and Maharashtra
3. Improved supply from mills
4. Likely increase in Excise duty
5. Release of 13 lakh tonnes under free sale quota for Feb'07
6. Huge increase in production expected

WEATHER

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

TECHNICALS

NCDEX February contract, candlestick chart pattern exhibits bullish sentiment. Technical indicators MACD, RSI and Stochastic hint for the bears. Prices closed far below the 9 days EMA and the 18 days EMA. Market is expected to trade range bound 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	1558	1554	1571	1585	1590

TRADE RECOMMENDATION:

SELL NCDEX - February Sugar M below 1576 with **target** towards 1569 then second target of 1566. **Stop loss** above 1580. Do not carry-forward the position until the next day.

Spot Market Prices

Rs./qtl

Origin/Grade	Center	03.02.07	02.02.07	Change
Ready Sugar (M Grade)	Delhi	1565-1595	1565-1590	+5
Ready Sugar (S Grade)	Delhi	1550-1580	1550-1575	+5
Mill Delivery	Delhi	1480-1510	1480-1505	+5

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