

SUGAR

19th February 2007

SPOT MARKETS

Sugar spot market observed weak sentiment during the Saturday's trade where the spot prices of sugar declined in the major markets like Delhi and Muzaffarnagar amidst lack of demand coupled with increased selling pressure from mills, while the spot prices of Kolkata remain steady on quiet demand. Prices likely to ease further as crushing at its peak in Maharashtra and Uttar Pradesh. However, festive demand and summer demand from beverage industry would provide some support to falling sugar prices.

FUTURES MARKETS

Sugar futures on the NCDEX observed weak sentiment with bearish undertone. March contract opened weak at Rs. 1541, down Rs. 3 against the previous close of Rs. 1544 and traded downwards on increased selling pressure and tested a low of Rs. 1522 and settled in the negative territory. March contract moved in the range Rs. 1541-1522/ctl, while February contract fluctuated in the range of Rs. 1579-1562/ctl. Volume increased significantly while open interest remained steady.

PRICE DRIVERS

1. Improved physical demand
2. Crushing at its pick in UP and Maharashtra
3. Normal 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. Stochastic is moving upward while RSI moving downwards. MACD is in negative region and favour the bears, prices closed 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	1510	1500	1523	1550	1560

TRADE RECOMMENDATION:

SELL NCDEX - March Sugar M below 1526 with **target** towards 1518 then second target of 1516. **Stop loss** near 1530. Do not carry-forward the position until the next day.

Spot Market Prices

Rs./ctl

Origin/Grade	Center	17.02.07	16.02.07	Change
Ready Sugar (M Grade)	Delhi	1525-1565	1525-1570	-5
Ready Sugar (S Grade)	Delhi	1510-1550	1510-1555	-5
Mill Delivery	Delhi	1440-1480	1440-1485	-5

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