

## SUGAR

22nd February 2007

### SPOT MARKETS

Sugar spot market observed weak sentiment during the Wednesday's trade, where the spot prices continue to decline in the major trading centers like Delhi and Muzaffarnagar on persistent supply from mills against the poor offtake by stockists and bulk consumers, while prices remain steady in Kolkata on subdued demand. The prices are likely to ease further due to increased supply from mills as crushing is at its peak. However, falling sugar prices would get some support if government maintains a comfortable buffer stock and some summer demand from beverage industry originates. Internationally, white sugar prices (LIFFE) declined from \$336 to \$331 due to the forecast of huge global sugar surplus.

### FUTURES MARKETS

Sugar futures on the NCDEX observed narrow range bound trade with bearish undertone. March contract opened weak at Rs. 1516, down Rs. 3 against the previous close of Rs. 1519 and traded upwards initially and tested a high of Rs. 1518. However, selling pressure at current level pulled down the futures and settled in the negative territory. March contract moved in the range Rs. 1507-1518/ctl. Volume increased marginally, while open interest declined marginally.

### 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 oversold region and moving downwards. 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	1495	1490	1508	1525	1533

### TRADE RECOMMENDATION:

**SELL** NCDEX - March Sugar M below 1512 with **target** towards 1504 then second target of 1502. **Stop loss** near 1517. Do not carry-forward the position until the next day.

### Spot Market Prices

Origin/Grade	Center	21.02.07	20.02.07	Change
Ready Sugar (M Grade)	Delhi	1485-1530	1505-1545	-15
Ready Sugar (S Grade)	Delhi	1470-1515	1490-1530	-15
Mill Delivery	Delhi	1400-1445	1420-1460	-15

Rs./ctl

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