

## SUGAR

8th February 2007

### SPOT MARKETS

Spot market prices of sugar eased further in the major trading centers like Muzaffarnagar and Kolkata amidst increased supply from mills against poor offtake buy stockists and bulk consumers, while spot prices in Delhi stood steady on subdued demand. In London (LIFFE), white sugar price declined from \$341 to \$337, as Russia, the world's biggest importer is likely to cut sugar imports due to good domestic output. On other hand, Thailand, the world's third-largest exporter of sugar after Brazil and Australia, could export as much as 5 million tonne of sugar this year, compared with an average 3.75 million tonnes in the last five years, as the Asian demand for sugar is growing at 3% a year. Further, the Government has announced the second advance estimate for 2006-07 sugarcane production at 315.53 million tonnes against the first estimate, which stood at 283.4 million tonnes. Thus, the revision in estimate coupled with unattractive export are likely to depress the sugar prices further in coming days.

### FUTURES MARKETS

Sugar futures on the NCDEX observed narrow range bound trade with bearish undertone. February contract opened weak at Rs. 1561, Rs. 5 down against the previous close of Rs. 1566 and traded upward initially and tested a high of Rs. 1564. However, selling pressure at current level pushed the futures to trade downwards and settled in the negative territory. Volume increased significantly, while open interest declined significantly.

### 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 indecisive market. Technical indicators RSI and Stochastic are in the oversold region. Stochastic favour the bulls, while RSI favour the bears. MACD is in negative region and moving downwards, prices closed below both the 9 days and 18 days EMA, which indicates that downtrend will continue. 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	1545	1540	1561	1570	1572

### TRADE RECOMMENDATION:

**SELL** NCDEX - February Sugar M below 1564 with **target** towards 1556 then second target of 1554. **Stop loss** above 1569. Do not carry-forward the position until the next day.

### Spot Market Prices

Origin/Grade	Center	07.02.07	06.02.07	Change
Ready Sugar (M Grade)	Delhi	1550-1580	1550-1580	-
Ready Sugar (S Grade)	Delhi	1535-1565	1535-1565	-
Mill Delivery	Delhi	1465-1495	1465-1495	-

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