

SUGAR

10th February 2007

SPOT MARKETS

Spot market prices of sugar continue to decline in the major markets like Delhi, Muzaffarnagar and Kolkata amidst amplified selling pressure from mills against the poor offtake by stockists and bulk consumers. Meanwhile, the Government further eased restrictions for mills to export sugar to increase the liquidity of sugar mills and enable them to pay cane farmers on time. It has decided to provide incentives to industry such as the sugar meant for export would be exempted from the levy obligation and the quantity of sugar released for export would be treated as advance non levy (free sale) release that is to be adjusted in the free sale stocks of the sugar factories after a period of 12 months. However, the above incentives would not be applicable to exports under preferential quota. The incentives would be given on export of sugar made during the period 3.1.2007 to 2.7.2007 under Advance License Scheme and 23.1.2007 to 22.7.2007 for exports under Open General License.

FUTURES MARKETS

Sugar futures on the NCDEX observed lacklustre trade with bearish undertone. March contract opened firm at Rs. 1525, up by Rs. 1 against the previous close of Rs. 1524 and traded upward initially and tested a high of Rs. 1532. However, selling pressure at current level pushed the futures to trade downwards and tested a low of Rs. 1516 and finally settled in the negative side. March contract moved in the range Rs. 1532-1516/qtt, while February contract fluctuated in the range of Rs. 1553-1541/qtt. Volume declined significantly while open interest declined marginally.

PRICE DRIVERS

1. Weak physical demand
2. Crushing at its pick in UP and Maharashtra
3. Selling pressure from mills
4. Release of 13 lakh tonnes under 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.

Spot Market Prices

Origin/Grade	Center	08.02.07	07.02.07	Change
Ready Sugar (M Grade)	Delhi	1520-1540	1545-1570	-30
Ready Sugar (S Grade)	Delhi	1505-1525	1530-1555	-30
Mill Delivery	Delhi	1435-1455	1460-1485	-30

Rs./qtt

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TECHNICALS

NCDEX March contract, candlestick chart pattern exhibits indecisive market. Technical indicators RSI and Stochastic are in the oversold region and favour the bears. MACD is in negative region and moving downwards, prices closed far 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-March Contract	1510	1500	1521	1540	1544

TRADE RECOMMENDATION:

SELL NCDEX - March Sugar M below 1526 with **target** towards 1518 then second target of 1516. **Stop loss** above 1531. Do not carry-forward the position until the next day.