

SUGAR

9th February 2007

SPOT MARKETS

Increased selling pressure from mills against the poor offtake by stockists and bulk consumers further depressed the spot market prices of sugar in the majority of trading centers like Muzaffarnagar, Delhi and Kolkata. In London (LIFFE), white sugar price declined from \$341 to \$335 on concern that increased export from Thailand will add to global surplus. Further, the Food Ministry has forwarded a proposal to the Union Cabinet on creating a buffer stock of 2 million tonnes of sugar for a year. The move comes in the wake of glut in domestic sugar market as sugar production for the year 2006-07 is estimated at 23-24 million tonnes. This move of government may provide some support to falling sugar prices as well as the sugar industry.

FUTURES MARKETS

Sugar futures on the NCDEX observed weak sentiment with bearish undertone. March contract opened weak at Rs. 1539, down by Rs. 5 against the previous close of Rs. 1544 and traded upward initially and tested a high of Rs. 1542. However, selling pressure at current level pushed the futures to trade downwards and tested a low of Rs. 1515 and settled in the negative territory. March contract moved in the range Rs. 1542-1515/ctl, while February contract fluctuated in the range of Rs. 1559-1548/ctl. Volume and open interest increased significantly.

PRICE DRIVERS

1. Weak physical demand
2. Crushing at its pick in UP and Maharashtra
3. Selling pressure from mills
4. Likely increase in Excise duty
5. Release of 13 lakh tonnes under free sale quota for Feb'07
6. Estimated bumper production in sugar and sugarcane

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 sentiments. 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 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	1524	1540	1544

TRADE RECOMMENDATION:

SELL NCDEX - March Sugar M below 1528 with **target** towards 1520 then second target of 1518. **Stop loss** above 1532. Do not carry-forward the position until the next day.

Spot Market Prices

Origin/Grade	Center	08.02.07	07.02.07	Rs./ctl
Ready Sugar (M Grade)	Delhi	1545-1570	1550-1580	-10
Ready Sugar (S Grade)	Delhi	1530-1555	1535-1565	-10
Mill Delivery	Delhi	1460-1485	1465-1495	-10

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