

SUGAR

23rd February 2007

SPOT MARKETS

Increased selling pressure from mills against poor offtake further depressed the spot market prices of sugar in the majority of market like Muzaffarnagar, Delhi and Kolkata during the Thursday's trade. The ex-mill prices of sugar (excluding duty) hovered near Rs. 1420 in Delhi, Rs. 1415 in Muzaffarnagar and in Maharashtra it was offered at Rs. 1240 well below levy prices. Meanwhile, with sugar godowns getting overflowed and prices ruling rock bottom, the Maharashtra Sugar Federation is considering over voluntary ban on sale of sugar or stopping the crushing operations. However, ISMA sources feel that both options are not feasible as leaving excess cane in field is national loss while opting for ban on sale is direct violation of Sugar Control Order. Interestingly, the futures prices, which are ruling higher than spot prices in Maharashtra, may provide an opportunity to hedge sugar in futures.

FUTURES MARKETS

Sugar futures on the NCDEX observed weak sentiment with bearish undertone. March contract opened weak at Rs. 1506, down Rs. 3 against the previous close of Rs. 1509 and traded downwards on increased selling pressure and tested a low of Rs. 1478 and finally ended in the negative side. March contract moved in the range Rs. 1506-1478/qtl. Volume increased significantly, while open interest declined significantly.

PRICE DRIVERS

1. Weak physical demand
2. Crushing at its pick in UP and Maharashtra
3. Increased selling pressure 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 indicating weakness in prices trend. 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 downwards following a steady to slightly weak opening with possibility of slight late upward movement.



SUPPORT / RESISTANCES:

Contract	S1	S2	PCP	R1	R2
NCDEX-Sugar M-March Contract	1465	1455	1479	1522	1533

TRADE RECOMMENDATION:

SELL NCDEX - March Sugar M below 1485 with **target** towards 1475 then second target of 1473. **Stop loss** near 1490. Do not carry-forward the position until the next day.

Spot Market Prices

Rs./qtl

Origin/Grade	Center	22.02.07	21.02.07	Change
Ready Sugar (M Grade)	Delhi	1475-1505	1485-1530	-25
Ready Sugar (S Grade)	Delhi	1460-1490	1470-1515	-25
Mill Delivery	Delhi	1390-1420	1400-1445	-25

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