

## SUGAR

7th February 2007

### SPOT MARKETS

Spot market prices of sugar eased further in the major trading centers like Muzaffarnagar and Delhi amidst weak demand coupled with increased supply from mills against poor offtake by stockists and bulk consumers, while recovered slightly in Kolkata on slight demand. The dwindling sugar prices and unaffordable export coupled with bumper production of 23-24 million tonne with a huge carry over stock of 40 lakh tonne, making it impossible for the sugar units to pay even the first advance and the final payment to the cane growers, which may adversely affect the sugar cane planting and the acreage.

### FUTURES MARKETS

Sugar futures on the NCDEX observed firm sentiments with bullish tone. February contract opened firm at Rs. 1562, Rs. 3 up against the previous close of Rs. 1559 and traded downwards thereafter and tested a low of Rs. 1558. However, futures recovered on buying interest at lower level and settled in the positive territory. Volume declined significantly, while open interest remains steady.

### 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 bullish sentiment. Technical indicators MACD, RSI and Stochastic hint for the bulls. Prices closed far below the 9 days EMA and the 18 days EMA, which indicates the trend, 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	1565	1582	1587

### TRADE RECOMMENDATION:

**SELL** NCDEX - February Sugar M below 1570 with **target** towards 1562 then second target of 1558. **Stop loss** above 1575. Do not carry-forward the position until the next day.

### Spot Market Prices

Rs./qtl

Origin/Grade	Center	06.02.07	05.02.07	Change
Ready Sugar (M Grade)	Delhi	1550-1580	1555-1585	-5
Ready Sugar (S Grade)	Delhi	1535-1565	1540-1570	-5
Mill Delivery	Delhi	1465-1495	1470-1500	-5

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