

SUGAR

14th February 2007

SPOT MARKETS

Spot market prices of sugar quoted slightly higher in the major trading centers like Muzaffarnagar and Delhi amidst slight demand and normal supply from mills, while spot prices declined in Kolkata on weak physical demand. Moreover, trading activity remains thin as rains continue to hamper the trading activity. Meanwhile, Maharashtra government offered to consider providing transport subsidy and subsidy on drop in sugar recovery to the farmers as prices continue to decline sharply in domestic as well as international market and also to ensure that the entire sugarcane gets crushed before May end. The government has given indication in this regard. However, it will have to take prior permission of the state election commission before seeking state Cabinet's approval. Prices are expected to gain some momentum if the above decision is implemented.

FUTURES MARKETS

Sugar futures on the NCDEX observed firm sentiments with bullish tone. March contract opened weak at Rs. 1533, down by Rs. 10 against the previous close of Rs. 1543 and traded upwards initially and tested a high of Rs. 1550. However, selling pressure at higher level pushed the futures to trade downwards and settled in the negative side. March contract moved in the range Rs. 1550-1533/ctl, while February contract fluctuated in the range of Rs. 1578-1560/ctl. Volume increased significantly while open interest declined significantly.

PRICE DRIVERS

1. Improved physical demand
2. Crushing at its pick in UP and Maharashtra
3. Normal supply 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.

TECHNICALS

NCDEX March contract, candlestick chart pattern exhibits bullish sentiments. Technical indicator Stochastic is in the oversold region and moving upwards. RSI is in normal region and moving down. MACD is in negative region and favour the bulls, prices closed below both the 9 days and 18 days EMA. Market is expected to trade range bound following a steady to slightly weak opening.



SUPPORT / RESISTANCES:

Contract	S1	S2	PCP	R1	R2
NCDEX-Sugar M-March Contract	1521	1516	1536	1546	1550

TRADE RECOMMENDATION:

SELL NCDEX - March Sugar M below 1540 with **target** towards 1532 then second target of 1530. **Stop loss** above 1544. Do not carry-forward the position until the next day.

Spot Market Prices

Rs./ctl

Origin/Grade	Center	13.02.07	12.02.07	Change
Ready Sugar (M Grade)	Delhi	1510-1560	1510-1535	+25
Ready Sugar (S Grade)	Delhi	1500-1545	1500-1520	+25
Mill Delivery	Delhi	1430-1475	1430-1450	+25

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