

SUGAR

6th February 2007

SPOT MARKETS

Spot market prices of sugar continue to decline in the majority of markets like Muzaffarnagar, Delhi and Kolkata amidst weak demand coupled with improved supply from mills against reduced offtake. Internationally, white sugar price, which had dipped to \$320 a tonne, has recovered up to \$341 a tonne due to decline in sugar supply from the European market. Increasing global prices have brightened domestic sugar industry to export sweetener. The government has already cleared release orders of 2.15 lakh tonne, of which 1.65 lakh tonne is under ALS and 50,000 tonnes under open general license. Applications of about 30,000-40,000 tonnes of sugar export are yet to be cleared. However, the global prices of sugar would be expected to remain in the range of \$320-340/ tonne and would not rise further, as the supplies from Brazil would hit the international markets from March.

FUTURES MARKETS

Sugar futures on the NCDEX observed weak sentiments with bearish undertone. February contract opened weak at Rs. 1568, Rs. 3 down against the previous close of Rs. 1571 and traded downwards thereafter on increased selling pressure and tested a low of Rs. 1557 and settled in the negative territory. February contract moved in the range of Rs. 1568-1557. Volume declined from 2970 to 5160, while open interest increased marginally.

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 bearish sentiment. Technical indicators MACD, RSI and Stochastic hint for the bears. Prices closed far below the 9 days EMA and the 18 days EMA. 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 | 1557 | 1571 | 1576 |

TRADE RECOMMENDATION:

SELL NCDEX - February Sugar M below 1561 with **target** towards 1554 then second target of 1551. **Stop loss** above 1565. Do not carry-forward the position until the next day.

Spot Market Prices

| Origin/Grade | Center | 05.02.07 | 03.02.07 | Rs./qtl |
|-----------------------|--------|-----------|-----------|---------|
| Ready Sugar (M Grade) | Delhi | 1555-1585 | 1565-1595 | -10 |
| Ready Sugar (S Grade) | Delhi | 1540-1570 | 1550-1580 | -10 |
| Mill Delivery | Delhi | 1470-1500 | 1480-1510 | -10 |

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