

## SUGAR

12th February 2007

### SPOT MARKETS

Persistent selling pressure of mills coupled with weak physical demand further depressed the spot market prices of sugar at major wholesale market like Delhi, Muzaffarnagar and Kolkata. The downtrend in sugar prices is likely to continue with no major demand coupled with continuing peak crushing. Internationally, white sugar prices (LIFFE) eased further from \$336 to \$334. According to ISMA India's sugar production rose 20% to 9.7 million tonnes between October 1, 2006 and January 15, 2007 as compared to the corresponding years 8.1 million tonnes.

### FUTURES MARKETS

Sugar futures on the NCDEX observed firm sentiments with bullish tone. March contract opened weak at Rs. 1521, down by Rs. 4 against the previous close of Rs. 1525 and traded downward initially and tested a low of Rs. 1518. However, buying interest at current level pushed the futures to trade upwards and finally settled in the positive side. March contract moved in the range Rs. 1532-1518/qrt, while February contract fluctuated in the range of Rs. 1563-1540/qrt. Volume declined significantly while open interest declined marginally.

### PRICE DRIVERS

1. Weak physical demand
2. Crushing at its pick in UP and Maharashtra
3. Selling pressure 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 indicators RSI and Stochastic are in the oversold region. RSI favour the bulls, while Stochastic favour the bears. MACD is in negative region and moving slightly upwards, 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 | 1530 | 1540 | 1544 |

### TRADE RECOMMENDATION:

**SELL** NCDEX - March Sugar M below 1535 with **target** towards 1528 then second target of 1525. **Stop loss** above 1539. Do not carry-forward the position until the next day.

### Spot Market Prices

| Origin/Grade          | Center | 10.02.07  | 09.02.07  | Rs./qtl |
|-----------------------|--------|-----------|-----------|---------|
| Ready Sugar (M Grade) | Delhi  | 1515-1535 | 1520-1540 | -5      |
| Ready Sugar (S Grade) | Delhi  | 1505-1520 | 1505-1525 | -5      |
| Mill Delivery         | Delhi  | 1435-1450 | 1435-1455 | -5      |

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