

SUGAR

2nd February 2007

SPOT MARKETS

Sugar spot market observed steady sentiment during the Thursday's trade where the spot prices of sugar remains stable in the major market likes Delhi and Muzaffarnagar on stagnant demand. While the spot market price in Kolkata eased slightly on weak demand. Market activities remained slow due to delay in monthly release of free sale quota for February month. However, earlier the government has released 41 lakh tonne of free sale quota for the quarter January to march, 2007, in which the free sale quota for the months of February and March is 13 and 15 lakh tons respectively. This quantity is sufficient to meet the routine and festival demand of 'Holi'.

FUTURES MARKETS

Sugar futures on the NCDEX observed narrow range bound trade with bearish undertone. February contract opened weak at Rs. 1580 against the previous close of Rs. 1581 and traded upwards thereafter and tested a high of Rs. 1584. However, futures traded downwards on increased selling pressure and settled in the negative territory. February contract moved in the range of Rs. 1584-1576. Volume remains steady, while open interest declined marginally.

PRICE DRIVERS

1. Weak physical demand
2. Crushing picks up in UP and Maharashtra
3. Normal supply from mills
4. Cabinet completely lifted the ban on sugar export
5. 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 below the 9 days EMA and the 18 days EMA. Range bound movement is expected in the market 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	1560	1555	1576	1600	1608

TRADE RECOMMENDATION:

SELL NCDEX - February Sugar M below 1580 with **target** towards 1575 then second target of 1570. **Stop loss** above 1585. Do not carry-forward the position until the next day.

Spot Market Prices

Rs./qtl

Origin/Grade	Center	01.02.07	31.01.07	Change
Ready Sugar (M Grade)	Delhi	1565-1595	1565-1595	-
Ready Sugar (S Grade)	Delhi	1550-1580	1550-1580	-
Mill Delivery	Delhi	1480-1510	1480-1510	-

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