

SUGAR

3rd February 2007

SPOT MARKETS

Sugar spot market witnessed weak sentiments during the Friday's trade where the spot prices eased slightly in the major markets like Delhi, Muzaffarnagar and Kolkata amidst poor physical demand and Government's decision to release free sale quota of sugar. The Government has decided to release 13 lakh tonnes of non-levy sugar quota for the month of February 2007. The Government has already released 1.74-lakh tonnes levy sugar for distribution in the PDS for the month of February 2007. Thus, the total sugar released for the month of February 2007 remains at 14.74 lakh tonnes. The above quantity is sufficient to cater the regular consumptive demand.

FUTURES MARKETS

Sugar futures on the NCDEX observed firm sentiments with bullish tone. February contract opened weak at Rs. 1576, Rs 4 down against the previous close of Rs. 1580 and traded upwards initially and tested a high of Rs. 1583. However, selling pressure at higher level pushed the futures to trade downwards and settled in the negative side. February contract moved in the range of Rs. 1583-1570. Volume increased from 2340 to 3430, while open interest increased marginally.

PRICE DRIVERS

1. Weak physical demand
2. Crushing picks up in UP and Maharashtra
3. Normal supply from mills
4. Release of 13 lakh tonnes under free sale quota for Feb'07
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 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	1558	1554	1572	1585	1590

TRADE RECOMMENDATION:

SELL NCDEX - February Sugar M below 1576 with **target** towards 1569 then second target of 1566. **Stop loss** above 1580. Do not carry-forward the position until the next day.

Spot Market Prices

Rs./qtl

Origin/Grade	Center	02.02.07	01.02.07	Change
Ready Sugar (M Grade)	Delhi	1565-1590	1565-1595	-5
Ready Sugar (S Grade)	Delhi	1550-1575	1550-1580	-5
Mill Delivery	Delhi	1480-1505	1480-1510	-5

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