

## SUGAR

26th February 2007

### SPOT MARKETS

Spot market prices of sugar were quoted slightly higher in the major trading centers like Delhi and Kolkata on some demand against normal supply from mills, while prices in Muzaffarnagar were quoted lower on weak demand. In Maharashtra, sugar industry urged the government to consider providing export subsidy to compete with prices in the international market in the wake of sliding sugar prices both domestically and internationally due to the global oversupply. The price has fallen to as low as Rs 1,222 per quintal, below the cost of production which is Rs 1,434 per quintal, and also lower than the levy price of Rs 1,334 per quintal, making it impossible for the sugar mills to pay to cane growers, which may adversely affect the sugarcane planting and the acreage.

### FUTURES MARKETS

Sugar futures on the NCDEX observed weak sentiment with bearish undertone. April contract opened firm at Rs. 1447, up Rs. 7 against the previous close of Rs. 1440 and traded downwards and tested a low of Rs. 1436. However, buying interest at lower level supported the futures to trade upwards and settled in the positive side. April contract moved in the range Rs. 1450-1436/qrtl, while March contract fluctuated in the range of Rs. 1496-1488/qrtl. Volume increased significantly, while open interest increased marginally.

### PRICE DRIVERS

1. Slight demand
2. Crushing at its pick in UP and Maharashtra
3. Normal supply from mills
4. Release of 13 lt 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 April contract, candlestick chart pattern exhibits bearish sentiment. Technical indicator Stochastic and RSI is in oversold region and moving upwards. MACD is in negative region and favour the bulls, prices closed far below both the 9 days and 18 days EMA, which indicates the downtrend is likely to continue. Market is expected to trade downwards following a steady to slightly weak opening with possibility of slight late upward movement.



### SUPPORT / RESISTANCES:

Contract	S1	S2	PCP	R1	R2
NCDEX-Sugar M-April Contract	1415	1410	1442	1465	1474

### TRADE RECOMMENDATION:

**SELL** NCDEX - April Sugar M below 1446 with **target** towards 1436 then second target of 1434. **Stop loss** near 1451. Do not carry-forward the position until the next day.

### Spot Market Prices

Rs./qrtl

Origin/Grade	Center	24.02.07	23.02.07	Change
Ready Sugar (M Grade)	Delhi	1445-1495	1445-1490	+5
Ready Sugar (S Grade)	Delhi	1430-1480	1430-1475	+5
Mill Delivery	Delhi	1360-1410	1360-1405	+5

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