

## SUGAR

13th February 2007

### SPOT MARKETS

Spot market prices of sugar quoted slightly higher in the major trading centers like Muzaffarnagar and Kolkata amidst improved demand and normal supply from mills, while stood steady in Delhi on subdued demand. In London (LIFFE), white sugar prices have witnessed record drop of 34 percent, falling from \$497/tonne in May to \$334, partly due to India and Brazil, the world's top producer, harvested better-than-expected crops and could add to global over surplus. Further, the country is likely to export 4 lakh tonnes for which mills have secured permits to export the quantity following the withdrawal of export ban. And to facilitate export the Union Government recently exempted the quantity of sugar that a mill exports from levy obligation. Thus, prices are likely to improve slightly on recent government's decision coupled with improvement in export activity.

### FUTURES MARKETS

Sugar futures on the NCDEX observed narrow range bound trade with bearish undertone. March contract opened firm at Rs. 1530, up by Rs. 1 against the previous close of Rs. 1529 and traded downward initially and tested a low of Rs. 1525. However, buying interest at current level pushed the futures to trade upwards and finally settled in the positive territory. March contract moved in the range Rs. 1525-1547/qtl, while February contract fluctuated in the range of Rs. 1553-1581/qtl. Volume increased marginally while open interest declined marginally.

### PRICE DRIVERS

1. Improved physical demand
2. Crushing at its pick in UP and Maharashtra
3. Normal supply 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 indicator Stochastic is in the oversold region and moving upwards. RSI is in normal region and favour the bulls. MACD is in negative region and favour the bulls, prices closed between the 9 days and 18 days EMA. Market is expected to trade upwards following a steady to slightly firm opening.



### SUPPORT / RESISTANCES:

Contract	S1	S2	PCP	R1	R2
NCDEX-Sugar M-March Contract	1515	1500	1545	1566	1573

### TRADE RECOMMENDATION:

**BUY** NCDEX - March Sugar M above 1540 with **target** towards 1548 then second target of 1552. **Stop loss** below 1535. Do not carry-forward the position until the next day.

### Spot Market Prices

Origin/Grade	Center	12.02.07	10.02.07	Rs./qtl
Ready Sugar (M Grade)	Delhi	1510-1535	1510-1535	-
Ready Sugar (S Grade)	Delhi	1500-1520	1500-1520	-
Mill Delivery	Delhi	1430-1450	1430-1450	-

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