

SUGAR

24th February 2007

SPOT MARKETS

Persistent supply form mills against lack of buying support further depressed the spot market prices of sugar in the majority of market like Muzaffarnagar, Delhi and Kolkata. Meanwhile, sugar industry in Maharashtra has requested the Union Govt. to provide incentives for enabling them to export 7.5 lakh tonne especially when the global prices are ruling rock bottom. It has called for reimbursement of expenses on internal transport (13 paise/qlt per km), ocean freight at Rs 350 per tonne and marketing & handling expenditure at Rs 500 per tonne. The prices are likely to remain weak in coming days as the supply is likely to increase further with the approaching month end because of the pressure on the sugar mills to offload their allotted free sale quota.

FUTURES MARKETS

Sugar futures on the NCDEX observed lacklustre trade with bullish tone. April contract opened at its previous close of Rs. 1435 and traded downwards thereafter and tested a low of Rs. 1421. 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. 1460-1421/qlt, while March contract fluctuated in the range of Rs. 1504-1474/qlt. Volume increased significantly, while open interest declined significantly.

PRICE DRIVERS

1. Weak physical demand
2. Crushing at its pick in UP and Maharashtra
3. Increased selling pressure 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 indecisive market. Technical indicator Stochastic and RSI is in oversold region and moving upwards. MACD is in negative region and favour the bears, 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	1440	1465	1474

TRADE RECOMMENDATION:

SELL NCDEX - April Sugar M below 1445 with **target** towards 1435 then second target of 1433. **Stop loss** near 1450. Do not carry-forward the position until the next day.

Spot Market Prices

Rs./qlt

Origin/Grade	Center	23.02.07	22.02.07	Change
Ready Sugar (M Grade)	Delhi	1445-1490	1475-1505	-15
Ready Sugar (S Grade)	Delhi	1430-1475	1460-1490	-15
Mill Delivery	Delhi	1360-1405	1390-1420	-15

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