

SUGAR

23rd March 2007

SPOT MARKETS

Sugar is witnessing mixed sentiments Thursday at different spot markets. Sugar prices in Delhi and Muzaffarnagar inched marginally higher, whereas it witnessed slight fall in Kolkata market. Overall, the market is not witnessing much action in the prices. After recent increase in estimates of Sugar production by government, Indian Sugar Mills Association has also come up with estimates increased Sugar production in India this year. According to ISMA, sugar production in the world's second largest producer, is likely to jump nearly 30% to cross 2.5 million tonnes in 2006-07 season against 1.93 million tonnes in the previous year. This will result in surplus stock of about 10 million tonnes given the carryover stock of 4.0 million tonnes as estimated domestic consumption stands around 19 million tonnes. This superfluous sugar in the country is hitting the domestic prices especially when the global prices are also not promising enough to encourage exports. Further, government decision on creation of buffer stocks of sugar is still pending. According to Mr. Powar, the decision will be taken on appropriate time. The prices are hovering in a small range these days.

FUTURES MARKETS

Sugar futures for April delivery on the NCDEX opened weak at Rs 1474 and then the prices hovered mostly on the weaker side in the range of Rs 1471-1478. The contract closed the session with moderate losses at Rs 1471. The volume traded and open interest both dipped marginally during the session.

PRICE DRIVERS

1. ISMA increases sugar production estimates
2. Government decision on buffer stock of sugar still pending
3. Mills are not lowering their quotes despite sluggish demand
4. Weakness in global sugar prices

WEATHER

Weather is favourable for harvesting of mid-season sugarcane crop and recently sown seasonal sugarcane.

Spot Market Prices

Rs./qtl

Origin/Grade	Center	22.03.07	21.03.2007	Change
Ready Sugar (M Grade)	Delhi	1490-1530	1488-1525	+2
Ready Sugar (S Grade)	Delhi	1475-1515	1473-1512	+2
Mill Delivery	Delhi	1405-1445	1403-1443	+2

TECHNICALS

Charts are portraying bearish picture of sugar. The prices closed below short term EMAs supports bears. MACD is dipping down in the positive region, which indicates fall in bullish momentum. Stochastic is negative in neutral region. Market is expected to see bearish bias in price action.



SUPPORT / RESISTANCES:

Contract	S1	S2	PCP	R1	R2
NCDEX-Sugar M-April Contract	1459	1450	1471	1486	1490

TRADE RECOMMENDATION:

SELL NCDEX - April Sugar M below 1477 with **target** towards 1464 and then 1459. **Stop loss** near 1485. Do not carry-forward the position until the next day.

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