

SUGAR

2nd March 2007

SPOT MARKETS

Spot market prices of sugar eased slightly at the major markets like Muzaffarnagar and Delhi amidst slackness in stockists buying and retailers, while in Kolkata prices quoted in the higher side on improved demand. Meanwhile, the budget fails to bring any sweetness for the sugar industry as the finance minister has failed to address various issues raised by sugar industry. It had sought to provide export subsidy, removal of sugar from Essential Commodities Act and urged for reduction in excise duty on molasses. According to traders, if the sugar mills in Maharashtra comply with the state sugar commissioner's direction of not selling sugar below levy prices, prices are likely to improve slightly in long term. Moreover, the international sugar prices are rising again and if it continues the industry could resume exports.

FUTURES MARKETS

Sugar futures on the NCDEX observed narrow range bound trade with bullish tone. April contract opened weak at Rs. 1453, down Rs. 5 against the previous close of Rs. 1458 and traded downwards thereafter and tested a low of Rs. 1451. However, buying interest supported the futures to trade upwards and tested a high of Rs. 1462. April contract moved in the range Rs. 1462-1451/qrtl, while March contract fluctuated in the range of Rs. 1518-1505/qrtl. Volume declined significantly while open interest increased marginally.

PRICE DRIVERS

1. Slight demand
2. Crushing at its pick in UP and Maharashtra
3. Higher quotes from mills
4. 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 bullish sentiment. Technical indicator Stochastic and RSI is in normal region and favour the bulls. MACD is in negative region and favour the bulls, prices managed close between 9 days and 18 days EMA. Range bound movement is expected in the market 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	1440	1436	1458	1470	1480

TRADE RECOMMENDATION:

SELL NCDEX - April Sugar M below 1461 with **target** towards 1453 then second target of 1451. **Stop loss** near 1465. Do not carry-forward the position until the next day.

Spot Market Prices

Origin/Grade	Center	01.03.07	28.02.07	Change
Ready Sugar (M Grade)	Delhi	1485-1530	1485-1540	-10
Ready Sugar (S Grade)	Delhi	1470-1515	1470-1525	-10
Mill Delivery	Delhi	1400-1445	1400-1455	-10

Rs./qtl

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