

SUGAR

12th March 2007

SPOT MARKETS

Sugar spot prices witnessed slightly weak sentiment during the Saturday's trade. The prices were quoted on the lower side at Muzaffarnagar and Kolkata amidst lack of buying support from retailers and stockists against normal supply from mills. While prices stood steady in Delhi on subdued trading activity on weekend. Meanwhile, the surplus sugar is expected to be at over 70 lakh tonnes as domestic demand is pegged at only 190 lakh tonnes. So even after government creates a buffer of said 48 lakh tonnes, the quantum of surplus comes to 33 lakh tonnes. Further, Brazil, the largest cane grower is expected to harvest a record 490 million metric tons of sugarcane this year, up from a February estimate of 483.8 million tons. Thus, with both domestic as well as global market witnessing sugar glut, prices are likely to plunge further in coming days.

FUTURES MARKETS

Sugar futures on the NCDEX observed narrow range bound trade with bullish tone. April contract opened slightly firm at Rs. 1473 against the previous close of Rs. 1472 and traded sideways. Initially increased buying interest pushed the futures to trade on higher side, testing a high of Rs. 1477. However, selling pressure at higher level pulled the futures slightly in the later session. April contract moved in the narrow range of Rs. 1477-1472/ctl, while March contract fluctuated in the range of Rs.1527-1522/ctl. Volume declined significantly however open interest reduced marginally.

PRICE DRIVERS

1. Weak physical demand;
2. Normal supply from mills
3. Crushing at its pick in UP and Maharashtra
4. Higher FSQ for March
5. Expected bumper production in sugar
6. Mills to sell sugar not below levy prices

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 sentiments with narrow range bound trade. Technical indicator Stochastics and RSI is rising in neutral region. MACD is rising in positive territory, which shows decrease in bearish momentum. Prices managed to close above both the 9 days and 18 days EMA that indicates medium term firmness in prices. Market is expected to trade upwards following a steady to slightly weak opening with possibility of slight late downward movement.



SUPPORT / RESISTANCES:

Contract	S1	S2	PCP	R1	R2
NCDEX-Sugar M-April Contract	1465	1460	1475	1497	1504

TRADE RECOMMENDATION:

BUY NCDEX - April Sugar M above 1476 with **target** towards 1486 then second target of 1488. **Stop loss** near 1471. Do not carry-forward the position until the next day.

Spot Market Prices

Origin/Grade	Center	10.03.07	09.03.07	Rs./ctl
Ready Sugar (M Grade)	Delhi	1475-1515	1475-1515	-
Ready Sugar (S Grade)	Delhi	1460-1500	1460-1500	-
Mill Delivery	Delhi	1390-1430	1390-1430	-

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