

SUGAR

28th March 2007

SPOT MARKETS

Sugar spot prices witnessed weak sentiment during the Tuesday trade. The prices quoted in the lower side at the majority of trading centers like Muzaffarnagar, Delhi and Kolkata on lack of buying support from retailers and bulk buyers against the normal supply from mills. Further, the CCEA on Saturday cleared the proposal of Union Food Ministry to create sugar buffer stock and also to give incentives to the millers for export of sugar (white and raw). But due to forthcoming Uttar Pradesh elections, it requires an approval of the Election Commission, which is awaited. The prices are likely to improve if the above decision is implemented and some fresh demand originates from soft drink and ice cream units. Moreover, the price movement in futures and spot market also depend on the free sale quota (FSQ) for the month of April, May and June.

FUTURES MARKETS

Sugar futures on NCDEX observed narrow range bound trade with slightly bullish tone. April contract opened weak at Rs. 1467/qrtl, down Rs. 3 against the previous close of Rs. 1470/qrtl and traded upwards thereafter testing a high of Rs. 1470/qrtl. However, selling pressure at higher level pushed the futures to trade downwards and settled in the negative side. April contract hovered in the range of Rs. 1463-1470/qrtl. Volume declined significantly while open interest declined marginally.

PRICE DRIVERS

1. Govt. decided to create buffer stock of sugar to the tune of 2 million tonnes.
2. Export subsidy for export of sugar under OGL up to exports of 30 lakh tonnes
3. Exports likely to get boosted by the government decision.
4. Estimated bumper production
5. Ample supply position in the commodity

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 is in oversold region and moving slightly upwards, while RSI is in neutral region and moving downwards. MACD is in negative territory and moving sideways. Prices close below both the 9 days and 18 days EMA that indicates weakness in prices. Market is expected to trade downwards following a steady to slightly firm opening with possibility of slight late upward movement.



SUPPORT / RESISTANCES:

Contract	S1	S2	PCP	R1	R2
NCDEX-Sugar M-April Contract	1453	1450	1468	1490	1499

TRADE RECOMMENDATION:

SELL NCDEX - April Sugar M below 1470 with **target** towards 1460 and then 1458. **Stop loss** near 1475 Do not carry-forward the position until the next day.

Spot Market Prices (Rs./qrtl)

Origin/Grade	Center	27.03.07	26.03.2007	Change
Ready Sugar (M Grade)	Delhi	1485-1525	1490-1530	-5
Ready Sugar (S Grade)	Delhi	1470-1510	1475-1515	-5
Mill Delivery	Delhi	1400-1440	1405-1445	-5

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