

SUGAR

5th March 2007

SPOT MARKETS

Spot market prices of sugar remained steady at the major markets like Muzaffarnagar and Delhi on subdued trading activity due to "Holi" celebration mood among traders, while market remained closed in Kolkata. According to Minister of State for Agriculture, the government is considering giving export subsidy for sugar in the wake of glut in the domestic market, as the production this year 2006-07 is expected to go up to 23-24 million tonnes leaving a huge surplus in the market. The sugar industry has demanded inland transport and ocean freight subsidy to reduce costs and make export viable. However, the matter is still under consideration of the government. The government has issued permits of 600,000 tonnes of sugar exports between January and February, but only 90,000 tonnes have been shipped so far. In the international markets, the sugar prices on the LIFFE and NYBOT rose on speculation of limited supply from Brazil as the harvesting of sugarcane will commence only in April. Increased demand from Russia coupled with reduced output in Mexico has tightened the supplies thus, adding firmness in sugar prices.

FUTURES MARKETS

Sugar futures on the NCDEX observed narrow range bound trade with slightly bullish tone. April contract opened weak at Rs. 1451, down Rs. 6 against the previous close of Rs. 1457 and traded upwards thereafter and tested a high of Rs. 1461. However, selling pressure at higher levels pushed the futures to trade downwards and settled in the negative side. April contract moved in the range Rs. 1461-1448/qrtl, while March contract fluctuated in the range of Rs. 1505-1499/qrtl. Volume increased significantly while open interest declined significantly.

PRICE DRIVERS

1. Weak physical demand
2. Subdued trade due to "Holi" holidays
3. Crushing at its pick in UP and Maharashtra
4. Normal supply from mills
5. Estimated bumper production in sugar

WEATHER

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

Spot Market Prices

Origin/Grade	Center	03.03.07	02.03.07	Rs./qrtl
Ready Sugar (M Grade)	Delhi	1485-1520	1485-1520	-
Ready Sugar (S Grade)	Delhi	1470-1505	1470-1505	-
Mill Delivery	Delhi	1400-1435	1400-1435	-

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 closed above both the 9 days and 18 days EMA that indicates firmness in prices. Market is expected to trade upwards following a steady to slightly firm opening with possibility of slight late downward movement.



SUPPORT / RESISTANCES:

Contract	S1	S2	PCP	R1	R2
NCDEX-Sugar M-April Contract	1454	1448	1472	1485	1494

TRADE RECOMMENDATION:

BUY NCDEX - April Sugar M above 1469 with **target** towards 1479 then second target of 1481. **Stop loss** near 1464. Do not carry-forward the position until the next day.

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