

SUGAR

29th March 2007

SPOT MARKETS

Sugar prices eased further in the majority of markets like Delhi, Muzaffarnagar and Kolkata on lack of buying support from bulk consumer and retailers against the increased supply from mills. With the sugarcane crushing gaining momentum in the major sugar producing states, countries sugar production may cross the earlier estimate of 250 lakh tonnes and is likely to touch 260 lakh tonnes in 2006-07 against the last year's 193-lakh tonnes. ISMA and National Federation of Cooperative Sugar Factories had earlier estimated the output at 250 lakh tonnes and the Union agriculture Minister said only last week. On other hand, Maharashtra would replace Uttar Pradesh as the country's top producer with an expected output of 84 lakh tonnes against the estimated output of 77 lakh tonnes in Uttar Pradesh this year. The prices are expected to remain in the lower side in long term due to glut situation and unviable export. But, if the relief package, which the centre has announced on last Saturday, were implemented the prices would gain some momentum. However, the decision is awaited for the EC's approval.

FUTURES MARKETS

Sugar futures on NCDEX observed weak sentiment with bearish undertone. April contract opened firm at Rs. 1467/qrtl, up Rs. 2 against the previous close of Rs. 1465/qrtl and traded upwards initially testing a high of Rs. 1471/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. 1456-1471/qrtl. Volume increased marginally while open interest declined marginally.

PRICE DRIVERS

1. Govt. decided to create buffer stock and to give export subsidy for export of sugar.
2. Estimated bumper production this year
3. Weak physical demand
4. Increased 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 bearish sentiment. Stochastic is rising in oversold region while RSI is in neutral region and moving downwards. MACD is in negative territory and moving downward. Prices closed 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	1447	1441	1459	1472	1476

TRADE RECOMMENDATION:

SELL NCDEX - April Sugar M below 1462 with **target** towards 1453 and then 1450. **Stop loss** near 1467 Do not carry-forward the position until the next day.

Spot Market Prices (Rs./qrtl)

Origin/Grade	Center	28.03.07	27.03.2007	Change
Ready Sugar (M Grade)	Delhi	1480-1520	1485-1525	-5
Ready Sugar (S Grade)	Delhi	1465-1505	1470-1510	-5
Mill Delivery	Delhi	1395-1435	1400-1440	-5

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