

SUGAR

21st March 2007

SPOT MARKETS

Sugar spot prices are hovering in the same price band in the absence of fresh developments on fundamentals. The prices at major markets recouped previous day's marginal losses Tuesday. Sugar market is keenly eyeing for any action from the government's side especially looking at the nearing UP elections. The industry is expecting some relief from the government side in the form of creation of buffer stock of sugar. Mills are cash starved at this stage on account of falling prices of their sugar inventory and in turn have piling arrears. As the same is hurting farmers of the state, government might come up with some aid for the industry. Easing supply position in the commodity is putting pressure on the prices. The industry is asking government to create buffer stock of 2 million tonnes to sail it though this liquidity crunch. However, government is seeing inflation problem in it. The problem has become vicious and it would be interesting to see the government's decision on the issue. With nearing election in the state it would probably not ignore the interest of the farmers of the state.

FUTURES MARKETS

Sugar futures on the NCDEX traded range bound with negative inclination during most part of Tuesday's session however some late session recovery was seen on buying support at lower levels. Most active April contract opened steady at Rs 1480. The prices then hovered most on the negative side in the range of Rs 1470-1481 before finally closing the session with marginal loss at Rs 1475 per quintal.

PRICE DRIVERS

1. AP govt. planning to give subsidy to millers for crushing additional sugarcane
2. Glut in domestic supply on bumper production
3. Weakness in global sugar prices
4. Mills to sell sugar not below levy prices

WEATHER

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

Spot Market Prices

Rs./qtl

Origin/Grade	Center	19.03.07	17.03.07	Change
Ready Sugar (M Grade)	Delhi	1490-1530	1485-1525	+5
Ready Sugar (S Grade)	Delhi	1475-1515	1470-1510	+5
Mill Delivery	Delhi	1405-1445	1400-1440	+5

TECHNICALS

Charts are suggesting weak sentiments in sugar. The prices closed below short term EMAs depicts the same. MACD is turning down in the positive region, which indicates fall in bullish momentum. Stochastic is negative in neutral region. Market is expected to see volatile action with bearish bias.



SUPPORT / RESISTANCES:

Contract	S1	S2	PCP	R1	R2
NCDEX-Sugar M-April Contract	1463	1457	1475	1486	1490

TRADE RECOMMENDATION:

SELL NCDEX - April Sugar M below 1480 with **target** towards 1470 and then 1467. **Stop loss** near 1486. Do not carry-forward the position until the next day.

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