

SUGAR

7th March 2007

SPOT MARKETS

Spot market prices of sugar continue to ease in the major markets like Muzaffarnagar and Delhi on lack of buying support and increased supply, while stood steady in Kolkata on subdued demand. Internationally, white sugar prices (LIFFE) which improved to \$349 has declined to \$342 after the increased estimates of world sugar production to 161.8 million tonnes for 2006-07, up 1.8 million tonnes against the first estimate of 160 million tonnes. Moreover, the sugarcane crushing is progressing well and country is likely to achieve the forecast output of 23-24 million tonnes during the current sugar season 2006-07. Thus, prices are expected to remain on the lower side in long term. However, if government creates a comfortable buffer stock and is further supported by upcoming summer demand, sugar prices are likely to improve slightly.

FUTURES MARKETS

Sugar futures on the NCDEX observed narrow range bound trade with bullish tone. April contract opened weak at Rs. 1461, down Rs. 1 against the previous close of Rs. 1462. However, traded upwards thereafter on buying interest and tested a high of Rs. 1470 and settled in the positive side. April contract moved in the range Rs. 1470-1461/ctl, while March contract fluctuated in the range of Rs. 1517-1510/ctl. Volume declined significantly while open interest declined marginally.

PRICE DRIVERS

1. Weak physical demand
2. Crushing at its pick in UP and Maharashtra
3. Normal supply from mills
4. Estimated bumper production in sugar

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 sentiment. Technical indicator Stochastic and RSI is in neutral region and rising. MACD is rising in negative territory, which shows decrease in bearish momentum. 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 weak opening with possibility of slight late downward movement.



SUPPORT / RESISTANCES:

Contract	S1	S2	PCP	R1	R2
NCDEX-Sugar M-April Contract	1452	1446	1469	1486	1490

TRADE RECOMMENDATION:

BUY NCDEX - April Sugar M above 1466 with **target** towards 1476 then second target of 1478. **Stop loss** near 1460. Do not carry-forward the position until the next day.

Spot Market Prices

Origin/Grade	Center	06.03.07	05.03.07	Rs./ctl
Ready Sugar (M Grade)	Delhi	1465-1505	1470-1510	-5
Ready Sugar (S Grade)	Delhi	1450-1490	1455-1495	-5
Mill Delivery	Delhi	1380-1420	1385-1425	-5

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