

SUGAR

22nd March 2007

SPOT MARKETS

Sugar is witnessing mixed sentiments Wednesday at different spot markets. Sugar prices in Delhi and Muzaffarnagar witnessed slight decline, whereas in Kolkata sugar prices inched higher. The increase in estimate for sugar production this year added some bearish sentiments to the market. The government has increased its estimate of sugar production for 2006-07 season to 23.834 million tonnes from 22.734 million tonnes earlier on account of increased estimates for Maharashtra of 8.1 million tonnes against 7.0 million tonnes earlier. Ample supply situation in the commodity, sluggish demand and sugar mills stand on the prices are the main factors driving the prices at the moment. Sugar prices are proving two-way sword for government. Falling prices are hitting the farmer's interest, whereas if government supports the prices by creating buffer stock, there is a risk of inflation.

FUTURES MARKETS

Sugar futures on the NCDEX traded volatile on Wednesday. Sugar futures for April delivery on the NCDEX opened steady at Rs 1474 and then the prices hovered on both side of no change line between Rs 1470-1478 before finally closing the session with marginal gains at Rs 1470-1478. The volumes traded dipped sharply, whereas open interest inched higher.

PRICE DRIVERS

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

WEATHER

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

TECHNICALS

Charts are portraying bearish picture of 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	1478	1486	1490

TRADE RECOMMENDATION:

SELL NCDEX - April Sugar M below 1483 with **target** towards 1472 and then 1468. **Stop loss** near 1489. Do not carry-forward the position until the next day.

Spot Market Prices

Rs./qtl

Origin/Grade	Center	21.03.07	22.03.2007	Change
Ready Sugar (M Grade)	Delhi	1488-1525	1490-1530	-2
Ready Sugar (S Grade)	Delhi	1473-1512	1475-1515	-2
Mill Delivery	Delhi	1403-1443	1405-1445	-2

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