

SUGAR

6th March 2007

SPOT MARKETS

Sugar spot market observed weak sentiment during Monday's trade. The prices declined slightly in the major trading centers like Muzaffarnagar, Delhi and Kolkata amidst weak physical demand and normal supply from mills. Further, the sugar industries are hopeful that the government should provide some export subsidy to make export viable and economical. However, the matter is still under consideration of government. Meanwhile, sugar production for 2006-07 is expected between 24-25 million tonnes on the back of higher estimates of sugarcane production of 315.5 million tonnes thus, the prices are expected to remain in lower side coupled with the allotted free sale quota for March, which was announced earlier at 15 lakh tonnes. However, falling sugar prices are likely to get support if government creates a comfortable buffer stock and provide some export subsidy to the sugar industry.

FUTURES MARKETS

Sugar futures on the NCDEX observed weak sentiment with bearish undertone. April contract opened firm at Rs. 1473, up Rs. 3 against the previous close of Rs. 1470. However, traded downwards thereafter on increased selling pressure and tested a low of Rs. 1460 and finally settled in the negative territory. April contract moved in the range Rs. 1473-1460/qrtl, while March contract fluctuated in the range of Rs. 1517-1504/qrtl. Volume and open interest declined significantly.

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 weakness in prices. Technical indicator Stochastic and RSI is in normal region. Stochastic favour the bulls while RSI favour the bears. MACD is in negative region and favour the bulls, prices closed between the 9 days and 18 days EMA that. Market is expected to trade downwards following a steady to slightly weak opening with possibility of slight late upward movement.



SUPPORT / RESISTANCES:

Contract	S1	S2	PCP	R1	R2
NCDEX-Sugar M-April Contract	1450	1446	1461	1480	1490

TRADE RECOMMENDATION:

SELL NCDEX - April Sugar M below 1465 with **target** towards 1455 then second target of 1453. **Stop loss** near 1470. Do not carry-forward the position until the next day.

Spot Market Prices

Origin/Grade	Center	05.03.07	03.03.07	Rs./qtl
Ready Sugar (M Grade)	Delhi	1470-1510	1485-1520	-10
Ready Sugar (S Grade)	Delhi	1455-1495	1470-1505	-10
Mill Delivery	Delhi	1385-1425	1400-1435	-10

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