

SUGAR

14th March 2007

SPOT MARKETS

Amid sluggish demand from stockists and retailers, sugar spot prices continued to trade flat during Tuesday's trade. Sugar prices stood steady in the major markets like Delhi and Muzaffarnagar on weak demand and continued cloudy and precipitative conditions in Northern India. Sugar prices improved marginally in Kolkata market on good buying support from stockists. Meanwhile, cane output from Brazil's centre-south, its main producing region is projected at 415-420 million tonnes for 2007-08, up from 371 million tonnes. In India, few market sources are expecting sharp increase in sugar output for 2006-07 from 24.0 million tonnes (estimated few weeks ago) to 25.5-26.0 million tonnes. Although the central government is likely to announce Rs 750 crores rescue package and create a buffer stock of 5 million tonnes, the surmounting sugar surplus, both at domestic as well as global level, is likely to pressurize the prices on lower side in coming days.

FUTURES MARKETS

Sugar futures on the NCDEX observed firm sentiments with bullish tone. The most active April contract opened slightly weak at Rs 480 against its previous close of Rs 481. Initially increased selling pressure pulled the futures to trade downwards, testing the lows of Rs 1474. However, buying interest at lower level supported the futures to trade upwards on bullish sentiments thereafter, testing the highs of Rs 1490. April contract moved in the range Rs. 1490-1474/qtl, while March contract fluctuated in the range of Rs. 1527-1516/qtl. Volume and open interest decreased marginally.

PRICE DRIVERS

1. Weak physical demand;
2. Normal supply from mills
3. Higher FSQ for March
4. Expected bumper production in sugar
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

NCDEX April contract candlestick chart pattern exhibits bullish sentiments. Technical indicator Stochastics and RSI is rising in neutral region. MACD is rising in positive territory, which shows decrease in bearish momentum. Prices closed above both the 9 days and 18 days EMA that indicates medium term firmness in prices. Market is expected to trade upwards following a steady to slightly firm opening with possibility of slight late downward movement.



SUPPORT / RESISTANCES:

Contract	S1	S2	PCP	R1	R2
NCDEX-Sugar M-April Contract	1468	1463	1481	1503	1508

TRADE RECOMMENDATION:

BUY NCDEX - April Sugar M above 1482 with **target** towards 1489 then second target of 1492. **Stop loss** near 1477. Do not carry-forward the position until the next day.

Spot Market Prices

Origin/Grade	Center	13.03.07	12.03.07	Rs./qtl
Ready Sugar (M Grade)	Delhi	1480-1520	1480-1520	-
Ready Sugar (S Grade)	Delhi	1465-1505	1465-1505	-
Mill Delivery	Delhi	1395-1435	1395-1435	-

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