

SUGAR

24th March 2007

SPOT MARKETS

Sugar prices slipped all across the board Friday on weak fundamentals. Sugar prices in Delhi and Muzaffarnagar and Kolkata fell during the day. Healthy supply position in the commodity as ensured by the recent production estimates is hammering the prices. According to ISMA, sugar production in the world's second largest producer, is likely to jump nearly 30% to cross 25 million tonnes in 2006-07 season against 19.3 million tonnes in the previous year. This will result in surplus stock of about 10 million tonnes given the carryover stock of 4.0 million tonnes as estimated domestic consumption stands around 19 million tonnes. This superfluous sugar in the country is hitting the domestic prices especially when the global prices are also not promising enough to encourage exports. Further, government decision on creation of buffer stocks of sugar is still pending.

FUTURES MARKETS

Sugar futures for April delivery on the NCDEX opened flat at Rs 1473 and then the prices hovered mostly on the weaker side in the range of Rs 1466-1475. The contract finished down by 0.48% at Rs 1466. The volume traded up whereas, open interest decline marginally during the session.

PRICE DRIVERS

1. ISMA increases sugar production estimates
2. Government decision on buffer stock of sugar still pending
3. Mills are not lowering their quotes despite sluggish demand
4. Weakness in global sugar 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 supports bears. MACD is in positive zone and dipping down, which indicates fall in bullish momentum. Stochastic is in neutral region and moving southwards. Market is expected to see bearish bias in price action.



SUPPORT / RESISTANCES:

Contract	S1	S2	PCP	R1	R2
NCDEX-Sugar M-April Contract	1455	1450	1466	1475	1480

TRADE RECOMMENDATION:

SELL NCDEX - April Sugar M below 1470 with **target** towards 1462 and then 1458. **Stop loss** near 1474. Do not carry-forward the position until the next day.

Spot Market Prices

Rs./qtl

Origin/Grade	Center	23.03.07	22.03.2007	Change
Ready Sugar (M Grade)	Delhi	1485-1525	1490-1530	-5
Ready Sugar (S Grade)	Delhi	1470-1510	1475-1515	-5
Mill Delivery	Delhi	1400-1440	1405-1445	-5

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