

SUGAR

2nd April 2007

SPOT MARKETS

Sugar spot prices remained unchanged at the major markets of Muzaffarnagar, Delhi and Kolkata on subdued trading activity and increased supply from mills. Further, the relief package which government has announced earlier is referred to the Election Commission (EC) for its approval due to upcoming elections in UP, which is awaited. Prices are expected to gain some momentum if EC approves the relief package coupled with the fresh seasonal demand. Moreover, the sugar industry is unhappy with the export incentive announced by the Centre. It has announced an export incentive of Rs. 1350/tonne for costal areas and Rs. 1450/tonne for non-costal areas, a difference of Rs. 100/tonne between costal and non-costal areas. But the actual freight cost difference between the costal and non-costal areas is estimated at Rs. 500-600/tonne.

FUTURES MARKETS

Sugar futures at NCDEX observed weak sentiment with bearish undertone. May contract opened weak at Rs. 1476/qtl, down Rs. 4 against the previous close of Rs. 1480/qtl and traded upward initially testing a high of Rs. 1480. However, selling pressure at higher level pushed the futures to trade downwards and settled in the negative territory. May contract hover in the range of Rs. 1472-1480/qtl, while the April contract traded in the range of Rs. 1459-1466/qtl. Volume declined significantly while open interest increased significantly..

PRICE DRIVERS

1. Govt. decided to create buffer stock and to give export subsidy for export of sugar.
2. Estimated bumper production this year
3. Lower FSQ for April-June at 38 LT
4. Subdued trading activity
5. Increased supply position in the commodity

WEATHER

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

TECHNICALS

NCDEX May contract; candlestick chart pattern exhibits bearish sentiment and weakness in prices. Technical indicator Stochastic is rising in neutral region while RSI is has made bearish crossover in neutral region and moving downwards. MACD is in negative territory and moving slightly upward. Prices closed below both the 9 days and 18 days EMA that indicates short-term weakness in prices. Market is expected to trade downwards following a steady opening with possibility of slight late upward movement.



SUPPORT / RESISTANCES:

Contract	S1	S2	PCP	R1	R2
NCDEX-Sugar M-May Contract	1453	1447	1472	1484	1493

TRADE RECOMMENDATION:

SELL NCDEX - May Sugar M below 1474 with **target** towards 1466 and then 1463. **Stop loss** near 1478 Do not carry-forward the position until the next day.

Spot Market Prices (Rs./qtl)

Origin/Grade	Center	31.03.07	30.03.2007	Change
Ready Sugar (M Grade)	Delhi	1485-1525	1485-1525	-
Ready Sugar (S Grade)	Delhi	1470-1510	1470-1510	-
Mill Delivery	Delhi	1400-1440	1400-1440	-

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