

SUGAR

20th March 2007

SPOT MARKETS

Sugar spot prices witnessed weakness all crosses the board on Monday as sagging demand in conjunction with ample supply position in the commodity pressured the prices down. The news of ballooning payment arrears of sugar mills in UP on account of falling sugar prices, further hammered the already weak prices. As the prices are falling the value of sugar inventories of the mills are also shrinking only to reduce cash limits from banks. This in turn is creating payment problems for sugar mills. The sugar mills of UP have accumulated arrears of Rs 395 crore for the current crushing season which might widen further in the coming time. Easing supply position in the commodity is putting pressure on the prices. The industry is asking government to create buffer stock of 2 million tonnes to sail it though this liquidity crunch. However, government is seeing inflation problem in it. The problem has become vicious and it would be interesting to see the government's decision on the issue. With nearing election in the state it would probably not ignore the interest of the farmers of the state.

FUTURES MARKETS

Sugar futures on the NCDEX traded range bound with positive inclination during Friday's trade. Most active April contract opened gap up by Rs 5 at Rs 1485 against its previous close of Rs 1480. The prices then hovered most on the positive side in the range of Rs 1479-1485 before finally closing the session with marginal gains at Rs 1484 per quintal.

PRICE DRIVERS

1. AP govt. planning to give subsidy to millers for crushing additional sugarcane
2. Glut in domestic supply on bumper production
3. Weakness in global sugar prices
4. 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 giving mixed signals. Stochastic is negative in neutral zone. Whereas, MACD is rising sluggishly in positive territory, which shows increase in bullish momentum. Prices managed to close above both the 9 days and 18 days EMA that indicates medium term firmness in prices. Market is expected to see volatile action with bearish bias.



SUPPORT / RESISTANCES:

Contract	S1	S2	PCP	R1	R2
NCDEX-Sugar M-April Contract	1467	1461	1479	1490	1501

TRADE RECOMMENDATION:

SELL NCDEX - April Sugar M below 1483 with **target** towards 1473 and then 1467. **Stop loss** near 1488. Do not carry-forward the position until the next day.

Spot Market Prices

Rs./qtl

Origin/Grade	Center	19.03.07	17.03.07	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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