

## SUGAR

4th April 2007

### SPOT MARKETS

Sugar spot prices recovered slightly at the major markets of Delhi and Muzaffarnagar on some buying support while prices declined in Kolkata on weak physical demand. Meanwhile, the Gujarat State Co-operative Sugar Industry Association has decided to sell sugar not below Rs 1,435/qttl, in order to ensure that farmers get affordable prices for their produce. Other sugarcane growing states of the country were also working on the same lines. Moreover, the Madhya Pradesh state Govt. has decided to offer a transport subsidy of Rs. 25/qttl to sugarcane growers and asked the sugar mills to extend crushing till May this year. Normally, it closes by April. The decision was taken keeping in mind the huge sugarcane production, which is likely to touch 250 lakh tonnes in MP and also to ensure that the total sugarcane gets crushed. Further, Election Commission (EC) approval over the relief package is awaited. Prices are expected to gain some momentum if EC approves the package coupled with seasonal demand. However, due to the estimates of bumper sugar production domestically and globally, prices are likely to remain in the lower side.

### FUTURES MARKETS

Sugar futures at NCDEX observed narrow range bound trade with bearish undertone. May contract opened firm at Rs. 1475/qttl, up Rs. 1 against the previous close of Rs. 1474/qttl and traded in a narrow range of Rs. 1470-1476/qttl and finally settled at Rs. 1471/qttl. April contract traded in the range of Rs. 1455-1460/qttl. Volume stood steady 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. Gujarat sugar industry association sets fixed floor price
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 and RSI moving slightly downwards in neutral region. 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 to slightly weak opening with possibility of slight late upward movement.



### SUPPORT / RESISTANCES:

Contract	S1	S2	PCP	R1	R2
NCDEX-Sugar M-May Contract	1459	1454	1471	1482	1485

### TRADE RECOMMENDATION:

**SELL** NCDEX - May Sugar M below 1475 with **target** towards 1467 and then 1465. **Stop loss** near 1479 Do not carry-forward the position until the next day.

### Spot Market Prices (Rs./qttl)

Origin/Grade	Center	03.04.07	02.04.2007	Change
Ready Sugar (M Grade)	Delhi	1485-1530	1485-1525	+5
Ready Sugar (S Grade)	Delhi	1470-1515	1470-1510	+5
Mill Delivery	Delhi	1400-1445	1400-1440	+5

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