

SUGAR

20th February 2007

SPOT MARKETS

Spot market prices of sugar continue to decline in the major trading centers like Delhi and Muzaffarnagar amidst lack of buying support from stockists and retailer and increased supply from mills, while prices recovered slightly in Kolkata on some demand. In London, white sugar prices recovered from \$ 322 to \$ 334 on some buying interest. Meanwhile, with the latest global sugar output estimated at 160.2 million tonnes, against 2005-06 production of 152.7 million tonnes, the International Sugar Organization (ISO) forecasts a surplus of 7.2 million metric tons for 2006-07. The prices are expected to decline with the forecast of world sugar surplus and ongoing crushing.

FUTURES MARKETS

Sugar futures on the NCDEX observed lacklustre trade with bearish undertone. March contract opened weak at Rs. 1525, down Rs. 4 against the previous close of Rs. 1529 and traded upwards initially and tested a high of Rs. 1532. However, selling pressure at higher level pulled down the futures and settled in the negative territory. March contract moved in the range Rs. 1515-1532/qtl, while February contract fluctuated in the range of Rs. 1556-1575/qtl. Volume declined significantly while open interest declined marginally.

PRICE DRIVERS

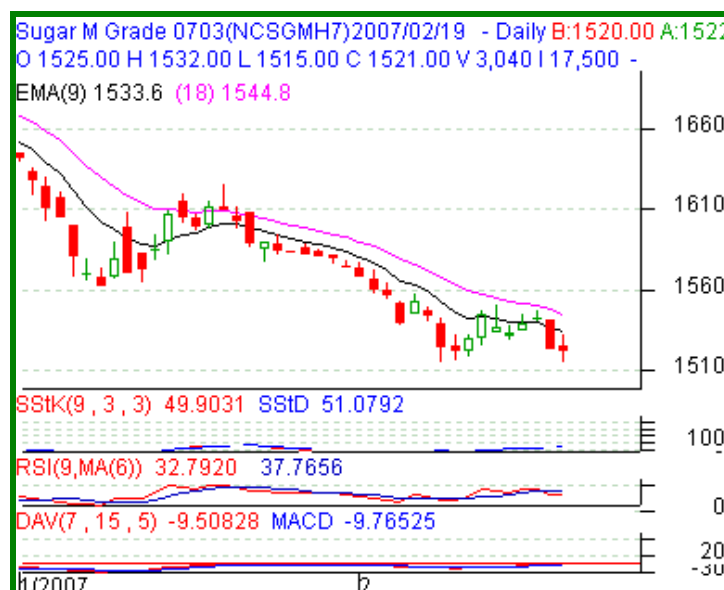
1. Improved physical demand
2. Crushing at its pick in UP and Maharashtra
3. Normal supply from mills
4. Release of 13 lt free sale quota for Feb'07
5. Estimated bumper production in sugar

WEATHER

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

TECHNICALS

NCDEX March contract, candlestick chart pattern exhibits bearish sentiment. Technical indicator Stochastic and RSI is in normal region and moving downwards. MACD is in negative region and favour the bears, prices closed far below both the 9 days and 18 days EMA, which indicates the downtrend is likely to continue. Market is expected to trade range bound following a steady to slightly weak opening.



SUPPORT / RESISTANCES:

Contract	S1	S2	PCP	R1	R2
NCDEX-Sugar M-March Contract	1505	1500	1521	1550	1560

TRADE RECOMMENDATION:

SELL NCDEX - March Sugar M below 1525 with **target** towards 1517 then second target of 1515. **Stop loss** near 1530. Do not carry-forward the position until the next day.

Spot Market Prices

Origin/Grade	Center	19.02.07	17.02.07	Rs./qtl
Ready Sugar (M Grade)	Delhi	1515-1555	1525-1565	-10
Ready Sugar (S Grade)	Delhi	1500-1540	1510-1550	-10
Mill Delivery	Delhi	1430-1470	1440-1480	-10

Disclaimer

The information and opinions contained in the document have been compiled from sources believed to be reliable. The company does not warrant its accuracy, completeness and correctness. Use of data and information contained in this report is at your own risk. This document is not, and should not be construed as, an offer to sell or solicitation to buy any commodities. This document may not be reproduced, distributed or published, in whole or in part, by any recipient hereof for any purpose without prior permission from the Company. IASL and its affiliates and/or their officers, directors and employees may have positions in any commodities mentioned in this document (or in any related investment) and may from time to time add to or dispose of any such commodities (or investment). Please see the detailed disclaimer at <http://www.agriwatch.com/Disclaimer.asp>