

SUGAR

15th March 2007

SPOT MARKETS

Sugar prices continue to witness steady to weak sentiments at major markets. The prices were quoted steady at Muzaffarnagar and Delhi markets amidst sluggish demand from stockists and retailers. However, prices improved marginally in Kolkata market on slight buying support from stockists. Market sources believe that with elections round the corner the government is unlikely to take any major policy decision that will rescue the crisis-ridden sugar industry. Meanwhile, sugar mills associations in Karnataka, Tamil Nadu and Gujarat are planning to follow the Maharashtra model of not selling sugar below the levy price and requesting their respective governments in this regard. Further, sugar futures on NYBOT rose as higher energy costs boosted 'Sugarcane' as prospective alternative fuel maker. Signals from International Energy Agency (IEA) that Industrial countries are heading towards biggest decline in crude oil in a decade and ethanol prices reaching the peak levels, pressurized the sugar futures.

FUTURES MARKETS

Sugar futures on the NCDEX observed weak range bound sentiments with bearish undertone. Most active April contract opened weak by Rs 2 at Rs 1480 against its previous close of Rs 1482. Increased selling pressure pulled the futures to trade downwards throughout the trading session, testing the lows of Rs 1476. April contract moved in the range of Rs. 1483-1476/qrt, while March contract fluctuated in the range of Rs. 1524-1516/qrt. Volume declined significantly while open interest stood steady.

PRICE DRIVERS

1. Weak physical demand;
2. Normal supply from mills
3. Higher FSQ for March
4. Expected bumper production in sugar
5. 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

NCDEX April contract candlestick chart pattern exhibits sideways movements with sluggish uptrend. Technical indicator Stochastics has entered in overbought region and RSI is converging with signal line. MACD is rising in positive territory, which shows decrease in bearish momentum. Prices closed above both the 9 days and 18 days EMA that indicates medium term firmness in prices. Market is expected to trade upwards following a steady to slightly firm opening with possibility of slight late downward movement.



SUPPORT / RESISTANCES:

Contract	S1	S2	PCP	R1	R2
NCDEX-Sugar M-April Contract	1468	1463	1482	1503	1508

TRADE RECOMMENDATION:

BUY NCDEX - April Sugar M above 1480 with **target** towards 1490 then second target of 1492. **Stop loss** near 1475. Do not carry-forward the position until the next day.

Spot Market Prices

Origin/Grade	Center	14.03.07	13.03.07	Rs./qtl
Ready Sugar (M Grade)	Delhi	1480-1520	1480-1520	-
Ready Sugar (S Grade)	Delhi	1465-1505	1465-1505	-
Mill Delivery	Delhi	1395-1435	1395-1435	-

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>