

SUGAR

23rd April 2007

SPOT MARKETS

Sugar spot prices eased further in the major markets of Delhi, Muzaffarnagar and Kolkata amidst weak physical demand against ample supply. Further, the strengthening Rupees Vs Dollar has dealt a blow to sugar sector that are looking for export after the announcement of export subsidy. The export subsidy is announced at around 10% of the sugar value and rupee has risen over 5% in the last one month, which adversely effect the export realizations of sugar. On other hand white sugar prices (LIFFE) further declined to \$309 from \$312, making export unviable for India. International prices are expected to decline further after the start of Brazils cane harvest, which is expected soon. Thus, no major uptrend is expected in prices due to unviable export coupled with glut situation globally.

FUTURES MARKETS

Sugar futures at NCDEX observed narrow range bound trade with slightly bullish tone. The most active June contract opened weak at Rs. 1365/qty, down Rs. 1 against the previous close of Rs. 1366/qty and traded downwards initially testing a low Rs. 1363/qty. However, some buying interest supported the futures to trade upwards and settled in the positive side. June contract moved in the range of Rs. 1363-1375/qty, while the May contract traded in the range of Rs. 1350-1358/qty. Volume declined significantly while open interest declined marginally.

PRICE DRIVERS

1. Govt. decided to create buffer stock
2. EC cleared the relief package
3. Estimated bumper production this year
4. Lower FSQ for April-June at 38 LT
5. Increased sugarcane estimate at 322.94 MMT
6. Maharashtra sugar mills slash their export floor price
7. Maharashtra centre announced special package for sugar industry

WEATHER

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

TECHNICALS

NCDEX May contract; candlestick chart pattern exhibits indecisive market. Technical indicator Stochastic in moving downward in oversold region while RSI is moving slightly upward in oversold region. MACD is moving downwards in negative region, which shows increase in bearish momentum. Prices closed far below the short term EMA that indicates short-term weakness in prices. Market is expected to trade downwards following steady to slightly firm opening.

NCDEX Sugar M Grade June Contract:



SUPPORT / RESISTANCES:

Contract	S1	S2	PCP	R1	R2
NCDEX-Sugar M-June Contract	1356	1350	1372	1380	1385

TRADE RECOMMENDATION:

SELL NCDEX - June Sugar M below 1376 with **target** towards 1366 then second target at 1361. **Stop loss** near 1381. Do not carry-forward the position until the next day.

Spot Market Prices (Rs./qty)

Origin/Grade	Center	21.04.07	20.04.07	Change
Ready Sugar (M Grade)	Delhi	1365-1400	1365-1405	-5
Ready Sugar (S Grade)	Delhi	1350-1385	1350-1390	-5
Mill Delivery	Delhi	1280-1315	1280-1320	-5

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