

SUGAR

26th April 2007

SPOT MARKETS

Persistent supply from mills against poor offtake further depressed the sugar spot prices at the major markets of Muzaffarnagar and Delhi, while prices improved to some extent in Kolkata on some demand from bulk consumers. Meanwhile, Govt. on Tuesday notified the export subsidy for exports under Open General Licence (OGL) done on or after April 19, 2007 up to April 18, 2008, while it would not apply for Advance Licence Scheme (ALS). This further added bearishness in the market. On other hand international prices eased further to \$300 from \$303 and likely to ease further once the Brazil sugar hits the market. Brazil is expected to produce 32.5 million metric tonnes of sugar this year against the earlier estimate of 31.5 million metric tonnes, which will add to global over surplus. Thus, no major uptrend is expected in prices in short-term and medium term due to glut situation globally coupled with unviable export. On other hand appreciation in Rupees Vs Dollar further impacted the market negatively.

FUTURES MARKETS

Sugar futures at NCDEX observed weak sentiment with bearish undertone. June contract opened weak at Rs. 1337/qrtl, down Rs 4 against the previous close of Rs 1341/qrtl and traded upward initially testing a high of Rs. 1339/qrtl. However, futures tumbled thereafter on increased selling pressure and settled red. June contract moved in the range of Rs. 1308-1339/qrtl, while the May contract traded in the range of Rs. 1293-1323/qrtl. Volume increased significantly while open interest declined significantly.

PRICE DRIVERS

1. Govt. decided to create buffer stock
2. No export subsidy for ALS
3. EC cleared the relief package
4. Estimated bumper production this year
5. Lower FSQ for April-June at 38 LT
6. Lower international price
7. Maharashtra mills slash their export floor price

WEATHER

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

TECHNICALS

Candlestick chart pattern exhibits bearish sentiment and weakness in prices. Stochastic and RSI is moving downward 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 and medium term weakness in prices. Market is expected to trade downwards following steady to slightly firm opening.

NCDEX Sugar M Grade June Contract:

Sugar M Grade 0706(NCSGMM7)2007/04/25 - Daily B:1312.00 A:1313.00 O 1337.00 H 1339.00 L 1308.00 C 1312.00 V 24,850 I 70,210
EMA(9) 1362.6 (18) 1393.5



SUPPORT / RESISTANCES:

Contract	S1	S2	PCP	R1	R2
NCDEX-Sugar M-June Contract	1295	1280	1312	1323	1326

TRADE RECOMMENDATION:

SELL NCDEX - June Sugar M below 1317 with **target** towards 1307 then second target at 1303. **Stop loss** near 1322. Do not carry-forward the position until the next day.

Spot Market Prices (Rs./qrtl)

Origin/Grade	Center	25.04.07	24.04.07	Change
Ready Sugar (M Grade)	Delhi	1350-1380	1355-1385	-5
Ready Sugar (S Grade)	Delhi	1335-1365	1340-1370	-5
Mill Delivery	Delhi	1265-1295	1270-1300	-5

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