

SUGAR

20th April 2007

SPOT MARKETS

Sugar spot prices eased further at the majority of markets on lack of buying support against increased supply from mills. Internationally, white sugar prices (LIIFE) tumbled from the Wednesday's level of \$320 to \$312, lowest since November 2005, after India agreed to subsidise exports of sugar. International prices are expected to ease further after the start of Brazil's sugarcane harvest, which is expected in coming days. Further, in Karachi (Pakistan) prices started moving up on the back of government's assurance to the mills that it would not import sugar from the international market, particularly India.

FUTURES MARKETS

Sugar futures at NCDEX observed lacklustre trade with slightly bullish tone. May contract opened weak at Rs. 1343/qrtl, down Rs. 6 against the previous close of Rs. 1349/qrtl and traded downwards testing a low Rs. 1340/qrtl. However, futures recovered on some buying interest and finally managed to settle in the positive side. May contract moved in the range of Rs. 1340-1359/qrtl, while the April contract traded in the range of Rs. 1300-1326/qrtl. Volume and open interest declined significantly.

PRICE DRIVERS

1. Govt. decided to create buffer stock and to give export subsidy for export of sugar.
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 May Contract:



SUPPORT / RESISTANCES:

Contract	S1	S2	PCP	R1	R2
NCDEX-Sugar M-May Contract	1335	1328	1353	1365	1370

TRADE RECOMMENDATION:

SELL NCDEX - May Sugar M below 1359 with **target** towards 1349 then second target at 1344. **Stop loss** near 1363. Do not carry-forward the position until the next day.

Spot Market Prices (Rs./qrtl)

Origin/Grade	Center	19.04.07	18.04.07	Change
Ready Sugar (M Grade)	Delhi	1375-1415	1375-1425	-10
Ready Sugar (S Grade)	Delhi	1360-1400	1360-1410	-10
Mill Delivery	Delhi	1290-1330	1290-1340	-10

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