

SUGAR

19th April 2007

SPOT MARKETS

Sugar prices continue to decline at the major market of Muzaffarnagar, Delhi and Kolkata amidst ample supply against poor offtake. Further, the Centre is expected to soon notify the sugar export incentives following receipt of clearance from the Election Commission (EC). Immediately after the clearance of relief package from the EC, the Union Agriculture Minister on Tuesday announced that the Centre would create a buffer stock of 20 lakh tonnes of sugar for one year beginning May 1st 2007 to help mills hit by falling global prices and huge stocks. Meanwhile, the government has decided not to offer any subsidies on raw sugar export as the sugar mills do not produce raw sugar in huge quantities and the commodity is usually not exported. Raw sugar export proposal was the part of Rs 850 crore relief package in which an Rs 440/tonne was proposed for raw sugar export.

FUTURES MARKETS

Sugar futures at NCDEX observed weak sentiment with bearish undertone. May contract opened firm at Rs. 1371/qttl, down Rs. 2 against the previous close of Rs. 1373/qttl and traded downwards thereafter on increased selling pressure testing a low Rs. 1345/qttl and finally settled in the negative side. May contract moved in the range of Rs. 1345-1372/qttl, while the April contract traded in the range of Rs. 1298-1318/qttl. Volume increased significantly while open interest declined marginally.

PRICE DRIVERS

1. Govt. decided to create buffer stock and to give export subsidy for export of sugar.
2. Estimated bumper production this year
3. Lower FSQ for April-June at 38 LT
4. Increased sugarcane estimate at 322.94 MMT
5. Maharashtra sugar mills slash their export floor price
6. 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 bearish sentiment and weakness in prices. Technical indicator Stochastic, RSI has made a bearish crossover in oversold region. MACD is moving downwards in oversold region. 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	1328	1324	1348	1360	1367

TRADE RECOMMENDATION:

SELL NCDEX - May Sugar M below 1351 with **target** towards 1341 then second target at 1336. **Stop loss** near 1356. Do not carry-forward the position until the next day.

Spot Market Prices (Rs./qttl)

Origin/Grade	Center	18.04.07	17.04.2007	Change
Ready Sugar (M Grade)	Delhi	1375-1425	1385-1435	-10
Ready Sugar (S Grade)	Delhi	1360-1410	1370-1420	-10
Mill Delivery	Delhi	1290-1340	1300-1350	-10

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