

SUGAR

27th 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. Meanwhile, the 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 amplified the bearish trend in the market. The international prices of sugar are expected to dip further once the Brazilian sugar hits the market. Brazil is expected to produce 32.5 million metric tonnes of sugar this year. The appreciation in Rupees vs Dollar also affected export realizations adversely. Thus, no major short term or medium term uptrend can be expected in prices due to unviable export coupled with glut situation globally.

FUTURES MARKETS

Sugar futures at NCDEX exhibited a clearly bearish tone. The most active June contract opened at Rs. 1314/qrtl, traded downwards steeply, testing a low of Rs. 1268/qrtl and closed at a low of Rs. 1270/qrtl. The market lacked buying support and traded in the oversold region. June contract moved in the range of Rs. 1268-1314/qrtl, while the May contract traded in the range of Rs. 1255-1302/qrtl, closing at Rs. 1256/qrtl. Volume of June contract traded decreased by over 11,000 MT, while open interest increased by 1800 MT.

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

The candlestick chart shows a steep downtrend with no buying support. The price line is below the 9 day and 18 day EMA.. The MACD line is in the negative region. All these indicate a strong bearish trend. The RSI line indicates an extremely oversold market. This points towards a probability of a mild correction in the future. But the medium and long term trends are strongly bearish.

NCDEX Sugar M Grade June Contract:



SUPPORT / RESISTANCES:

Contract	S1	S2	PCP	R1	R2
NCDEX-Sugar M-June Contract	1218	1240	1270	1296	1316

TRADE RECOMMENDATION:

SELL NCDEX - June Sugar M below 1274-1278 with **target** towards 11266 then second target at 1258. **Stop loss** near 1288. Do not carry-forward the position until the next day.

Spot Market Prices (Rs./qrtl)

Origin/Grade	Center	2604.07	25.04.07	Change
Ready Sugar (M Grade)	Delhi	1345-1375	1350-1380	-5
Ready Sugar (S Grade)	Delhi	1330-1360	1335-1365	-5
Mill Delivery	Delhi	1260-1290	1265-1295	-5

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