

SUGAR

7th April 2007

SPOT MARKETS

Sugar spot prices declined at the major markets of Delhi, Muzaffarnagar and Kolkata amidst lack of buying support and increased supply from mills coupled with increased estimate of sugarcane production. Govt. on April 5, 2007 announced the third advance estimate of sugarcane at 322.94 million tonnes up 7.41 million tonnes against the 2nd advance estimate of 315.53 million tonnes and almost 40 million tonnes over the final estimate of 2005-06 at 281.97 million tonnes. So there could be further revision in sugar production. Meanwhile, the International Sugar Organization (ISO) has estimated the world sugar surplus at 8.5 - 9 million metric tonnes, which is up from the previous quarterly forecast made in February at 7.2 million metric tonnes. Thus, prices are expected to remain in the lower side due to glut situation around the globe. However, if EC approves the relief package announced earlier by the Govt., prices are expected to gain some momentum in domestic markets.

FUTURES MARKETS

Sugar futures at NCDEX observed weak sentiment with bearish undertone. May contract opened weak at Rs. 1459/qrtl, down Rs. 1 against the previous close of Rs. 1460/qrtl and traded upward initially testing a high of Rs. 1461/qrtl. However, increased selling pressure pushed the futures to trade downwards and finally settled in the negative side. May contract moved in the range of Rs. 1450-1461/qrtl, while the April contract traded in the range of Rs. 1432-1440/qrtl. Volume declined significantly while open interest remained steady.

PRICE DRIVERS

- Govt. decided to create buffer stock and to give export subsidy for export of sugar.
- Estimated bumper production this year
- Lower FSQ for April-June at 38 LT
- Increased sugarcane estimate at 322.94 million tonnes
- Gujarat sugar industry association sets fixed floor price
- Increased supply position in the commodity

WEATHER

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

Spot Market Prices (Rs./qrtl)

Origin/Grade	Center	06.04.07	05.04.2007	Change
Ready Sugar (M Grade)	Delhi	1485-1525	-	-
Ready Sugar (S Grade)	Delhi	1470-1510	-	-
Mill Delivery	Delhi	1400-1440	-	-

TECHNICALS

NCDEX May contract; candlestick chart pattern exhibits bearish sentiment and weakness in prices. Technical indicator Stochastic and RSI is moving downwards in oversold region. MACD has made a bearish crossover and moving downwards. Prices closed below the short term EMA that indicates short-term weakness in prices. Market is expected to trade downwards following steady to slight firm opening.

NCDEX Sugar M Grade May Contract:



SUPPORT / RESISTANCES:

Contract	S1	S2	PCP	R1	R2
NCDEX-Sugar M-May Contract	1442	1439	1453	1461	1464

TRADE RECOMMENDATION:

SELL NCDEX - May Sugar M below 1456 with **target** towards 1448 then second target at 1446. **Stop loss** near 1461 Do not carry-forward the position until the next day.

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