

SUGAR

25th April 2007

SPOT MARKETS

Sugar spot prices continue to decline at the major markets of Delhi and Muzaffarnagar amidst ample supply against weak physical demand, while prices improved marginally in Kolkata on slight demand. In London, white sugar prices (LIFFE) declined further to \$303 from the Monday's level of \$309 and expected to decline further once the Brazil sugar hits the market. Brazil is expected to harvest a record 491.5 million tonnes of sugarcane this year, which will add to global over surplus. Meanwhile, the subsidy announced by the Union government last month would not apply to mills exporting sugar under the Advance Licence Scheme (ALS). It would apply only for export under Open General Licence (OGL) done on or after April 19, 2007 up to April 18, 2008. Moreover, appreciation in rupee has hit sugar exporters further and their realisations are down about 5 per cent. Thus, no major upturn is expected in prices.

FUTURES MARKETS

Sugar futures at NCDEX observed weak sentiment with bearish undertone. The most active June contract opened at its previous close of Rs. 1355/mt and traded upward initially testing a high of Rs. 1358/mt. However, futures traded downward thereafter on increased selling pressure and settled at negative side. June contract moved in the range of Rs. 1338-1358/mt, while the May contract traded in the range of Rs. 1322-1339/mt. Volume and 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. Increased sugarcane estimate at 322.94 MMT
8. Maharashtra sugar mills slash their export floor price

WEATHER

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

Spot Market Prices (Rs./mt)

Origin/Grade	Center	24.04.07	23.04.07	Change
Ready Sugar (M Grade)	Delhi	1355-1385	1355-1390	-5
Ready Sugar (S Grade)	Delhi	1340-1370	1340-1375	-5
Mill Delivery	Delhi	1270-1300	1270-1305	-5

TECHNICALS

Candlestick chart pattern exhibits bearish sentiment and weakness in prices. Stochastic has made bearish cross over in oversold region while 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)2007/04/24 - Daily B:1338.00 A:1340.00 O 1355.00 H 1358.00 L 1338.00 C 1338.00 V 16,870 I 75,360



SUPPORT / RESISTANCES:

Contract	S1	S2	PCP	R1	R2
NCDEX-Sugar M-June Contract	1320	1310	1338	1353	1356

TRADE RECOMMENDATION:

SELL NCDEX - June Sugar M below 1342 with **target** towards 1332 then second target at 1330. **Stop loss** near 1347. Do not carry-forward the position until the next day.

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