

SUGAR

18th April 2007

SPOT MARKETS

Amid persistent supply against poor offtake, sugar spot prices eased further at the major markets of Kolkata, Muzaffarnagar and Delhi. Election Commission on late Monday cleared a government proposal to offer sugar mills export incentives. However, it fails to provide any support to falling prices. Moreover, the incentives would not give much benefit to the sugar sector undertaking sugar exports, as global market would discount the subsidy factor. Meanwhile, taking into account of bumper sugarcane production this year 2006-07, country's sugar production is expected to cross 260 lakh tonnes and the total availability would be 300 lakh tonnes (including carryover stock of 40 lakh tonnes). Domestic consumption is expected to be 190-195 lakh tonnes and exports are likely at 15 lakh tonnes. Sugar industry is expected to carryover 90-95 lakh tonnes to the next season. Thus, no major uptrend is expected in prices in long term due to glut situation. However, the glut situation is minimized to some extent by allowing industry to process sugarcane directly for ethanol, increasing buffer stock and producing more raw sugar for export.

FUTURES MARKETS

Sugar futures at NCDEX observed firm sentiment with bullish tone. May contract opened firm at Rs. 1381/mtl, up Rs. 1 against the previous close of Rs. 1380/mtl and traded downwards initially testing a low of Rs. 1376/mtl. However, futures traded upward thereafter on increased buying interest and settled in the positive side. May contract moved in the range of Rs. 1376-1395/mtl, while the April contract traded in the range of Rs. 1345-1367/mtl.

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 and 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	1360	1355	1372	1386	1390

TRADE RECOMMENDATION:

SELL NCDEX - May Sugar M below 1379 with **target** towards 1369 then second target at 1366. **Stop loss** near 1384. Do not carry-forward the position until the next day.

Spot Market Prices (Rs./mtl)

Origin/Grade	Center	17.04.07	16.04.2007	Change
Ready Sugar (M Grade)	Delhi	1385-1435	1405-1445	-10
Ready Sugar (S Grade)	Delhi	1370-1420	1390-1430	-10
Mill Delivery	Delhi	1300-1350	1320-1360	-10

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