

## SUGAR

10th April 2007

### SPOT MARKETS

Sugar spot prices continue to decline at the major markets of Muzaffarnagar, Delhi and Kolkata amidst weak demand from retailers and bulk consumers against ample supply. Last week on Saturday, Maharashtra sugar mills slashed their export floor price and mills in South Maharashtra decided to sell sugar below the levy-level, which further added bearishness in the market. The decision was taken with the Election Commission's (EC) delaying clearance to the government's decision of incentivising sugar sector. Meanwhile, the export is not taking place as millers are still waiting for the EC's approval and official announcement of the package. However, the incentives would not give much benefit to the sugar sector undertaking sugar exports, as the global market would discount the subsidy factor. Thus, prices are likely to remain in the lower side in coming days due to unviable sugar export and glut situation globally.

### FUTURES MARKETS

Sugar futures at NCDEX observed weak sentiment with bearish undertone. May contract opened weak at Rs. 1434/mtl, down Rs. 5 against the previous close of Rs. 1439/mtl and traded upwards initially testing a high of Rs. 1438/mtl in early hours of trade. However, futures traded downwards thereafter on increased selling pressure and settled in the negative side. May contract moved in the range of Rs. 1421-1438/mtl, while the April contract traded in the range of Rs. 1405-1415/mtl. Volume and open interest increased significantly.

### 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 MMT
- Gujarat sugar industry association sets fixed floor price
- Maharashtra sugar mills slash their export floor price

### 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 and RSI is moving downwards in oversold region. MACD is moving downward in negative region, which show increase in bearish momentum. Prices closed below the short term EMA that indicates short-term weakness in prices. Market is expected to trade downwards following steady to slight weak opening.

### NCDEX Sugar M Grade May Contract:



### SUPPORT / RESISTANCES:

Contract	S1	S2	PCP	R1	R2
NCDEX-Sugar M-May Contract	1400	1395	1422	1431	1438

### TRADE RECOMMENDATION:

**SELL** NCDEX - May Sugar M below 1425 with **target** towards 1416 then second target at 1414. **Stop loss** near 1430. Do not carry-forward the position until the next day.

### Spot Market Prices (Rs./mtl)

Origin/Grade	Center	09.04.07	07.04.2007	Change
Ready Sugar (M Grade)	Delhi	1475-1515	1485-1520	-5
Ready Sugar (S Grade)	Delhi	1460-1500	1470-1505	-5
Mill Delivery	Delhi	1390-1430	1400-1435	-5

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