



## ■ SUGAR

■ May 22, 2007

### MARKETS

The spot prices of sugar dipped at Delhi and Muzaffarnagar markets on poor physical demand against ample supplies from mills, while prices improved slightly at Kolkata market. Centre has announced that the export subsidy applies to raw sugar exports also. Directorate General of Foreign Trade has notified that India will export 26,000 tonnes of raw sugar, duty-free, to the E.U. and the U.S. for the current sugar marketing year. India's sugar exports are expected to remain almost flat at around 1 MMT in the current marketing year, due to upcoming monsoon, mounting freight costs, a global surplus and limited international demand. Taking into account, bumper sugarcane production this year, country's sugar output is expected to cross 26 MMT and the total availability would be over 30 MMT (including carryover stock of 4 MMT). Thus, no major uptrend is expected in prices in medium to long term due to glut situation.

### FUTURES MARKETS

NCDEX Sugar traded bearish. June contract opened at Rs. 1284/qrtl, Re. 1 down the previous close. The contract traded down to test a low of Rs. 1272/qrtl. It traded in the range of Rs. 1270-1285/qrtl and settled at Rs. 1274/qrtl. The July contract opened at Rs. 1309/qrtl, traded in the range of Rs. 1298-1315/qrtl and closed at Rs. 1304/qrtl. In June contract, volume improved considerably, while open interest dipped marginally.

### PRICE DRIVERS

1. Domestic and global glut
2. Lower FSQ for April-June at 38 LT
3. Increased sugar estimate at 27 MMT
4. Increased supply from mills

### WEATHER

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

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

Origin/Grade	Center	21.05.07	19.05.07	Change
Ready Sugar (M Grade)	Delhi	1385-1415	1410-1435	-25.00
Ready Sugar (S Grade)	Delhi	1370-1395	1395-1420	-25.00
Mill Delivery	Delhi	1300-1325	1325-1350	-25.00

### TECHNICALS

The candlestick formed for the day indicates a bearish trend. RSI and Stochastic are moving down in the neutral region. MACD is rising in the negative zone. Prices are at par with the 9 Day and 18 Day EMA. All these indicate that the market will trade sideways with a bearish undertone.

### NCDEX Sugar M Grade June Contract



### SUPPORT / RESISTANCES

Contract	S1	S2	PCP	R1	R2
NCDEX-Sugar M- June	1257	1251	1274	1296	1303

### TRADE RECOMMENDATION

**Sell** NCDEX - June Sugar M below 1278 with target towards 1265 then second target at 1260. Stop loss near 1285. Do not carry forward the position until the next day.

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