

SUGAR

May 28, 2007

MARKETS

Amidst ample demand from wholesalers against poor arrivals, the spot prices of sugar improved at the major markets. White sugar settled \$ 6.90 higher at \$ 341.90 as trade houses bought, hedging on possibility they will want to take the August delivery. World raw sugar futures rallied to five-week highs on the NYBOT. The sugar industry is expecting that stocks at the end of the season would amount to 10 MMT. The strengthening rupee has blown a hole in exports. Exports have slowed down as domestic prices are better than exports. Experts see exports of raw sugar, in which India has a distinct advantage in freight costs over Brazil and Thailand, as a way out at this juncture. The prices of sugar futures have sky rocketed at NCDEX on speculation on account of Govt. decision to create an additional sugar buffer stock of 3 MMT. Bumper crops from Brazil and India tend to maintain global and domestic prizes on the lower side in the medium to long run.

FUTURES MARKETS

Sugar futures at NCDEX continued to be bullish breaking all resistances. June contract opened at Rs. 1307/qrtl, Rs. 4 above the previous close, traded steadily upward to test a high of Rs. 1347/qrtl and settled at Rs. 1337/qrtl. Volume improved by over 3000 MT, while open interest dipped by over 3500 MT. July contract opened at Rs. 1345/qrtl and traded in the range of Rs. 1345-1375/qrtl, before closing at Rs. 1371/qrtl.

PRICE DRIVERS

1. Domestic and global glut
2. Increased sugar estimate at 27 MMT
3. Increased supply from mills
4. Creation of additional buffer stock

WEATHER

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

Spot Market Prices (Rs. /qrtl)

Origin/Grade	Center	26.05.07	25.05.07	Change
Ready Sugar (M Grade)	Delhi	1395-1435	1385-1425	+10.00
Ready Sugar (S Grade)	Delhi	1380-1420	1370-1410	+10.00
Mill Delivery	Delhi	1310-1350	1300-1340	+10.00

TECHNICALS

Candlestick pattern shows a bullish market. MACD is moving steadily upward in the negative region. RSI and Stochastic are rising in the neutral region. Prices closed well above the 9 Day and 18 Day EMA. The market is expected to trade up following a firm opening in the short term.

NCDEX Sugar M Grade June Contract



SUPPORT / RESISTANCES

Contract	S1	S2	PCP	R1	R2
NCDEX-Sugar M- June	1280	1268	1337	1359	1371

TRADE RECOMMENDATION

Buy NCDEX - June Sugar M above 1333 with target towards 1348 then second target at 1382. Stop loss near 1325. Do not carry forward the position until the next day.

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