

SUGAR

16th May 2007

SPOT MARKETS

The spot prices of sugar eased at most of the major markets of Muzaffarnagar and Delhi amidst weak physical demand against ample supply while spot prices improved further in Kolkata on good buying support from bulk consumers. Further, recent improvement in prices can be attributed to some summer demand from beverage industry coupled with some speculative buying. Moreover, hopes that the new government in UP will keep SAP (state advised price) of cane at realistic levels and provide some more incentive for the crisis ridden sugar industry also supported the market sentiment. However, taking into account the increased estimate of sugar output at 26-27 million tonne with a carry over stock of 4 million tonne coupled with unviable export due to glut situation globally. Prices are likely to remain in the lower side in medium to long term.

FUTURES MARKETS

Sugar futures witnessed weak sentiment with bearish undertone at NCDEX. June contract opened flat at its previous close of Rs. 1315/qrtl and traded up initially testing a high of Rs 1317/qrtl. However, prices skid thereafter on increased selling pressure and settled red at Rs 1295/qrtl. June contract traded in the range of Rs. 1285-Rs.1317/qrtl and May contract traded in the range of Rs 1246-1279/qrtl. In June contract, both the volume and open interest declined significantly.

PRICE DRIVERS

1. Improved international prices
2. improved demand in the market
3. Indian sugar output estimated at around 27-28 million tones
4. Global sugar surplus forecast at 9.82 million tones
5. Domestic and global glut situation due to bumper production

WEATHER

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

TECHNICALS

Candlestick chart pattern exhibits bearish sentiment and weakness in prices. Technical indicator Stochastic is moving up in neutral region while RSI is moving down in neutral region. MACD is moving slightly down in negative region. The prices managed to close above the short-term EMAs. Market is expected to trade downwards following steady to slightly firm opening.

NCDEX Sugar M Grade June Contract:



SUPPORT / RESISTANCES:

| Contract | S1 | S2 | PCP | R1 | R2 |
|-----------------------------|------|------|------|------|------|
| NCDEX-Sugar M-June Contract | 1270 | 1279 | 1295 | 1308 | 1318 |

TRADE RECOMMENDATION:

SELL NCDEX - June Sugar M below 1300 with **target** towards 1290 then second target at 1285. **Stop loss** near 1305. Do not carry-forward the position until the next day.

Spot Market Prices (Rs./qrtl)

| Origin/Grade | Center | 15.05.07 | 14.05.07 | Change |
|-----------------------|--------|-----------|-----------|--------|
| Ready Sugar (M Grade) | Delhi | 1445-1475 | 1455-1485 | -10 |
| Ready Sugar (S Grade) | Delhi | 1430-1460 | 1440-1470 | -10 |
| Mill Delivery | Delhi | 1360-1390 | 1370-1400 | -10 |

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