

## ■ SUGAR

■ May 15, 2007

### SPOT MARKETS

The prices of sugar have improved considerably at the major spot markets on improved demand and short supply. White sugar traded \$1.50 higher at LIFFE and settled at \$ 338.20/tonne due to buying on white premium. Generally, summer season witnesses a surge in demand for sugar. Current price hike is partly speculative and partly demand-driven. The hike in prices can be due to the hopes that new government in the leading sugar producing state of U.P. will keep MSP of cane at realistic levels during crushing season starting October. Short covering interest in spot markets ahead of May contract expiry in futures contributed in keeping sentiments firm. However, domestic and global glut situations tend to maintain the domestic prices on the lower side in the long term. The global sugar surplus for the crop year October 2006 to September 2007 is forecast at 9.82 MMT. India expects to produce sugar to the tune of 27 MMT.

### FUTURES MARKETS

NCDEX June contract opened at Rs. 1300/qrtl, up Rs. 9/qrtl against the previous close. The contract traded upwards to test a high of Rs. 1340/qrtl, and then downward to settle at Rs. 1318/qrtl. In June contract, volume increased considerably, while open interest dipped by about 2000 MT. May contract opened at Rs. 1281/qrtl and traded in the range of Rs. 1262-1310/qrtl before closing at Rs. 1280/qrtl.

### PRICE DRIVERS

1. Domestic and global glut
2. Dollar has recovered slightly as against Rupees in the last week
3. Lower FSQ for April-June at 38 LT
4. Increased sugar estimate at 27 MMT
5. 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	14.05.07	12.05.07	Change
Ready Sugar (M Grade)	Delhi	1285-1315	1245-1275	+40.00
Ready Sugar (S Grade)	Delhi	1355-1385	1315-1345	+40.00
Mill Delivery	Delhi	1370-1400	1330-1360	+40.00

### TECHNICALS

Candlestick pattern indicates bullish sentiment in the market. RSI and stochastic are trading up in the neutral region. MACD is also moving up, but still in the negative region. The prices closed above the 9 Day and 18 Day EMA. The technicals speak of a short term bullish correction.

### NCDEX Sugar M Grade June Contract



### SUPPORT / RESISTANCES

Contract	S1	S2	PCP	R1	R2
NCDEX-Sugar M- June	1228	1222	1318	1372	1378

### TRADE RECOMMENDATION

**Buy** NCDEX - June Sugar M above 1308 with target towards 1322 then second target at 1329. Stop loss near 1300. Do not carry forward the position until the next day.

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