

## SUGAR

08<sup>th</sup> May 2007

### SPOT MARKETS

Sugar spot market prices slipped at the major markets of Muzaffarnagar, Delhi and Kolkata on poor off-take against normal arrivals. The global sugar surplus for the year 2006-2007 is forecast at 9.82 million tonnes due to higher production in Brazil, India, China and Pakistan. White sugar traded higher at the international market (LIFFE) and settled at \$ 318.80/tonne, \$ 6.00 above the previous close of \$ 312.80. But these higher prices are expected to crash when the Brazil sugar hits the market. Brazil is expected to produce 31.3 million tonnes of sugar this crop season, up 5% from the previous season. The traders can make the most of the higher international prices by exporting sugar to minimize losses and to avoid domestic glut. The domestic and global glut situations are likely to maintain the domestic prices on the lower side.

### FUTURES MARKETS

Sugar futures at NCDEX improved on some buying interest at lower level. The most active June contract opened firm at Rs. 1252/mtl and it traded volatile, testing a high of Rs. 1265/mtl and low of Rs. 1243/mtl before settling at Rs. 1259/mtl. The contract traded in the range of Rs. 1243-1265/mtl. The volume of June contract traded increased by 8730 MT, while open interest increased by over 1500 MT. May contract opened at Rs. 1230/mtl and traded bullish in the range of Rs. 1225-1248/mtl. The contract settled at Rs. 1246/mtl.

### PRICE DRIVERS

1. Domestic and global glut
2. Strengthening Rupee Vs Dollar
3. Estimated bumper production this year
4. Lower FSQ for April-June at 38 LT
5. Increased sugar estimate at 27-28 MMT
6. Global surplus of sugar forecast at 9.82 MMT
7. Brazil sugar production estimated at 31.3 MMT
8. Improvement in international prices

### WEATHER

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

### TECHNICALS

The candlestick pattern shows a mild correction in the futures market. The prices are below the 9 Day and 18 Day EMA. Stochastic and RSI are moving slightly up. But MACD is trading in the negative region. The current levels show signs of consolidation. The technicals indicate a downward market following a firm opening.

### NCDEX Sugar M Grade June Contract:



### SUPPORT / RESISTANCES:

Contract	S1	S2	PCP	R1	R2
NCDEX-Sugar M- June Contract	1239	1235	1259	1302	1305

### TRADE RECOMMENDATION:

**Sell** NCDEX - June Sugar M below 1262 with target towards 1250 then second target at 1246. Stop loss near 1270. Do not carry forward the position until the next day.

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

Origin/Grade	Center	07.05.07	05.05.07	Change
Ready Sugar (M Grade)	Delhi	1310-1340	1315-1345	-5
Ready Sugar (S Grade)	Delhi	1295-1325	1300-1330	-5
Mill Delivery	Delhi	1225-1255	1230-1260	-5

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