

SUGAR

3rd May 2007

SPOT MARKETS

Sugar spot prices dipped at Muzaffarnagar market due to weak physical demand. The Delhi market prices remained unchanged due to subdued trading. Trade in the two markets was reported to be very low. Prices at the Kolkata market improved by Rs. 10/mtl above the prices on Monday. The Govt. has started procuring sugar for buffer stocks which is likely to provide some support to the falling prices and result in a hike in the domestic sugar prices. But it will not sustain in the long term owing to the increased estimate of sugar output at 27-28 million tonnes during the current sugar season, coupled with unviable export due to falling international prices. The international price of white sugar (LIFFE) slipped \$1.5 to \$ 306.5/tonne from the previous close of \$ 308. The domestic prices are expected to remain on the lower side in medium and long term.

FUTURES MARKETS

Sugar futures at NCDEX traded bearish in a range. June contract opened at Rs. 1288/mtl, Re. 1 higher than the previous close and traded downward testing a low of Rs.1280/mtl and then upward to Rs.1290/mtl before settling at Rs.1282/mtl. In June contract, volume decreased by over 4000 MT, while open interest decreased by 1460 MT. May contract opened at Rs. 1270/mtl and traded in the range of Rs. 1261-1270/mtl

PRICE DRIVERS

1. Govt. started procuring sugar for buffer stock.
2. Govt. notified export subsidy
3. Strengthening Rupee Vs Dollar
4. Estimated bumper production this year
5. Lower FSQ for April-June at 38 LT
6. Increased sugar estimate at 27-28 MMT
7. Maharashtra govt. announced special package for sugar industry

WEATHER

Weather is favourable for harvesting of mid-season sugarcane crop and recently sown seasonal sugarcane. Generous winter rains and adequate irrigation will support early growth of the new crop.

Spot Market Prices (Rs./mtl)

Origin/Grade	Center	02.05.07	01.05.07	Change
Ready Sugar (M Grade)	Delhi	1335-1365	1335-1365	0.00
Ready Sugar (S Grade)	Delhi	1320-1350	1320-1350	0.00
Mill Delivery	Delhi	1250-1280	1250-1280	0.00

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TECHNICALS

Candlestick chart pattern indicates a range bound market. Prices are below 9 Day and 18 Day EMA. Stochastic is moving slightly upwards in oversold region. RSI and MACD indicate an extremely oversold market. All the indicators point towards a bearish trend. The market shows some signs of consolidation at this point. 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	1268	1265	1282	1290	1297

TRADE RECOMMENDATION:

Sell NCDEX - June Sugar M below 1285 with **target** towards 1277 then second target at 1275. **Stop loss** near 1289. Do not carry-forward the position until the next day.