

SUGAR

May 10, 2007

SPOT MARKETS

The spot sugar prices remain unmoved at the major markets of Muzaffarnagar, Delhi and Kolkata on lacklustre trade against normal arrivals. White sugar traded flat to slightly up internationally (LIFFE). These prices are expected to crash once the Brazil sugar hits the international market. Brazil is expected to produce 31.3 million tonnes of sugar this crop season, up 5% from the previous season. The global sugar surplus for the crop year October 2006 to September 2007 is forecast at 9.82 million tonnes. USDA has forecast an Indian sugar production of 25.4 MMT. India produced 25 MMT sugar during Oct 2006-April 2007, up 37 per cent against the previous year's corresponding figure of 18.18 MMT. The total production during the current sugar season is estimated at 27 MMT. The domestic and global glut situations tend to maintain the domestic prices on the lower side.

FUTURES MARKETS

Sugar futures at NCDEX traded bearish today. The most active June contract opened at Rs. 1253/mt, Re. 1 above the previous close price and it traded bearish, testing a high of Rs. 1257/mt and low of Rs. 1242/mt before settling at Rs. 1243/mt. In June contract, the volume increased by over 4500 MT, while the open interest decreased by 500 MT. The May contract opened at Rs. 1238/mt and traded in the range of Rs. 1223-1241/mt and it closed at Rs. 1224/mt.

PRICE DRIVERS

1. Domestic and global glut
2. Strengthening Rupee Vs Dollar
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. /mt)

Origin/Grade	Center	09.05.07	08.05.07	Change
Ready Sugar (M Grade)	Delhi	1300-1310	1300-1310	0
Ready Sugar (S Grade)	Delhi	1285-1315	1285-1315	0
Mill Delivery	Delhi	1215-1245	1215-1245	0

TECHNICALS

The candlestick pattern speaks of a bearish trend. The prices are down the 9 Day and 18 Day EMA. RSI and MACD are moving steady in an oversold region. Stochastic is slightly steady. Overall, the technicals show that the market will trade downwards following firm opening.

NCDEX Sugar M Grade June Contract



SUPPORT / RESISTANCES

Contract	S1	S2	PCP	R1	R2
NCDEX-Sugar M- June	1223	1220	1243	1295	1300

TRADE RECOMMENDATION

Sell NCDEX - June Sugar M below 1246 with target towards 1230 then second target at 1226. Stop loss near 1254. Do not carry forward the position until the next day.

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