

SUGAR

May 21, 2007

MARKETS

The spot prices of sugar remained unmoved at the major markets on lack-lustre trade. India's sugar exports are expected to remain almost flat at around 1.0 million tonnes in the marketing year ending September, due to upcoming monsoon season, mounting freight costs, global surplus and limited international demand. Taking into account bumper sugarcane production this year, country's sugar output is expected to cross 26 MMT and the total availability would be over 30 MMT (including carryover stock of 4 MMT). Domestic consumption is expected to be 19-19.5 MMT and exports are likely at 15 lakh tonnes. Sugar industry is expected to carryover 9-9.5 MMT to the next season. Thus, no major uptrend is expected in prices in medium to long term due to glut situation. China's refined sugar production in April rose 92% on year to 1.18 MMT.

FUTURES MARKETS

NCDEX Sugar futures traded bullish today. More active June contract opened weak at Rs. 1280/qty, Rs. 3 down the previous close of Rs. 1283/qty. The contract traded up to test a high of Rs. 1292/qty before settling at Rs. 1283/qty. The volume of June contract traded decreased significantly, while open interest dipped marginally. July contract opened at Rs. 1301/qty and traded bullish in the range of Rs. 1301-1314/qty before closing at Rs. 1308/qty.

PRICE DRIVERS

1. Domestic and global glut
2. Lower FSQ for April-June at 38 LT
3. Increased sugar estimate at 27 MMT
4. Increased supply from mills

WEATHER

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

Spot Market Prices (Rs. /qty)

Origin/Grade	Center	19.05.07	18.05.07	Change
Ready Sugar (M Grade)	Delhi	1410-1435	1410-1435	0.00
Ready Sugar (S Grade)	Delhi	1395-1420	1395-1420	0.00
Mill Delivery	Delhi	1325-1350	1325-1350	0.00

TECHNICALS

Candlestick pattern shows an indecisive market with the prices intersecting the 9 Day and 18 Day EMA. RSI and Stochastic are in the neutral region, while MACD is rising in the negative region. All the technicals point towards indecisiveness in the market. So it is advised to wait till the next close

NCDEX Sugar M Grade June Contract



SUPPORT / RESISTANCES

Contract	S1	S2	PCP	R1	R2
NCDEX-Sugar M- June	1268	1259	1283	1300	1308

TRADE RECOMMENDATION

Sell NCDEX - June Sugar M below 1292 with target towards 1278 then second target at 1273. Stop loss near 1299. Do not carry forward the position until the next day.

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