

■ SUGAR

■ May 24, 2007

MARKETS

Spot prices of sugar dipped at the major markets on diminished buying interest and ample supplies from mills. Subdued trading was observed at spot markets. Country's sugar output is expected to cross 26 MMT and total availability would be over 30 MMT (including carryover stock of 4 MMT). After deducting the domestic consumption of 19-19.5 MMT and exports of 1.5 MMT, India is expected to carry over 90-95 lakh tonnes to the next season. Thus, no major uptrend is expected in prices in medium to long term due to glut situation. The govt. has scrapped all but 50 of the 2500 proposals for setting up sugar mills, to prevent companies from blocking cane areas without pursuing such projects. This decision will not impact the expansion programmes of the mills that have already started work on setting them up. The Indian Sugar Exim Corp. has concluded a deal to export around 75,000 tonnes of raw sugar to a Dubai-based firm.

FUTURES MARKETS

NCDEX Sugar futures traded bearish. June contract opened firm at Rs. 1276/qrtl, Rs. 1 down the previous close of Rs. 1277/qrtl. The contract traded steadily downwards to close at an intraday low of Rs. 1261/qrtl. July contract opened at Rs. 1304/qrtl, traded bearish in the range of Rs. 1291-1304/qrtl before settling at Rs. 1292/qrtl. In June contract, volume improved by over 6000 MT, while open interest dipped by over 4000 MT.

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
5. Stronger rupee against dollar

WEATHER

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

Spot Market Prices (Rs. /qrtl)

Origin/Grade	Center	23.05.07	22.05.07	Change
Ready Sugar (M Grade)	Delhi	1355-1385	1370-1400	-15.00
Ready Sugar (S Grade)	Delhi	1340-1365	1355-1380	-15.00
Mill Delivery	Delhi	1270-1300	1285-1315	-15.00

TECHNICALS

Candlestick formed indicates bearishness. Market emerges out of the sideways trend to settle lower. RSI and Stochastic are moving down in neutral region. MACD is rising in negative zone. Prices are at par with 9 Day EMA. Technicals indicate towards a bearish market following firm opening.

NCDEX Sugar M Grade June Contract



SUPPORT / RESISTANCES

Contract	S1	S2	PCP	R1	R2
NCDEX-Sugar M- June	1249	1242	1261	1295	1303

TRADE RECOMMENDATION

Sell NCDEX - June Sugar M below 1265 with target towards 1255 then second target at 1250. Stop loss near 1271. Do not carry forward the position until the next day.

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