

SUGAR

5th May 2007

SPOT MARKETS

Sugar spot prices dipped at the major markets of Muzaffarnagar, Delhi and Kolkata on weak physical demand. Export sops and procurement of sugar for buffer stocks have not helped to provide any support to the falling prices. The increased estimate of domestic sugar output at 27-28 million tonnes during the current season and lower international prices tend to maintain the sugar market bearish. Global sugar surplus for the crop year October 2006 to September 2007 is forecast at 9.82 million tonnes. White sugar traded higher at LIFFE and settled at \$312.80/tonne, \$4.50 above the previous close. But the higher price is anticipated to crash when the Brazil sugar hits the market. The domestic prices are expected to remain on the lower side in medium and long term. Traders can earn better revenues if they export sugar at the current levels, thereby avoiding domestic glut.

FUTURES MARKETS

Sugar futures at NCDEX observed bearish trade. June contract opened at Rs. 1259/qrtl, Re. 1 above the previous close of Rs 1258/qrtl. The contract traded steadily downwards testing a low of Rs. 1243/qrtl before closing at Rs. 1251/qrtl. The contract traded in the range of Rs. 1243-1259/qrtl. The volume of June contract traded increased by 990 MT and open interest increased by over 340 MT. May contract opened at Rs. 1234/qrtl and traded in the range of Rs. 1221-1235/qrtl before closing at Rs. 1229/qrtl.

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 million tonnes

WEATHER

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

TECHNICALS

Candlestick chart shows a bearish market with prices less than 9 Day and 18 Day EMA. RSI is moving steady in the oversold region. MACD line is treading a bearish path indicating an extremely oversold market. Stochastic is also moving down. All these indicate that market is expected to trade downwards.

NCDEX Sugar M Grade June Contract:



SUPPORT / RESISTANCES:

Contract	S1	S2	PCP	R1	R2
NCDEX-Sugar M- June Contract	1236	1233	1251	1268	1271

TRADE RECOMMENDATION:

Sell NCDEX - June Sugar M below 1254 with target towards 1242 then second target at 1239. Stop loss near 1262. Do not carry-forward the position until the next day.

Spot Market Prices (Rs./qrtl)

Origin/Grade	Center	04.05.07	03.05.07	Change
Ready Sugar (M Grade)	Delhi	1310-1340	1325-1355	-15.00
Ready Sugar (S Grade)	Delhi	1295-1325	1315-1340	-15.00
Mill Delivery	Delhi	1225-1255	1240-1270	-15.00

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