

SUGAR

May 23, 2007

MARKETS

Due to lack of buying interest and increased supplies, spot prices of sugar declined at the major markets. Centre has announced that the export subsidy applies to raw sugar exports also. India's sugar exports are expected to remain at around 1 MMT in the current marketing year, due to monsoon season, mounting freight costs, a global surplus and limited international demand. 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. Chief Minister of Maharashtra has ruled out any further financial compensation for sugar cane farmers. Maharashtra is expected to produce 75 MMT of sugar cane in 2006-07 season.

FUTURES MARKETS

NCDEX Sugar futures traded bearish today. June contract opened firm at Rs. 1281/mtl, Rs. 7 above the previous close. The contract traded down to test a low of Rs. 1274/mtl and settled at Rs. 1276/mtl. The July contract opened at Rs. 1309/mtl, traded in the range of Rs. 1301-1311/mtl and closed at Rs. 1307/mtl. In June contract, volume dipped significantly, while open interest dipped by over 1000 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

WEATHER

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

Spot Market Prices (Rs. /mtl)

Origin/Grade	Center	22.05.07	21.05.07	Change
Ready Sugar (M Grade)	Delhi	1370-1400	1385-1415	-15.00
Ready Sugar (S Grade)	Delhi	1355-1380	1370-1395	-15.00
Mill Delivery	Delhi	1285-1315	1300-1325	-15.00

TECHNICALS

The candlestick formed for the day indicates a bearish trend. Market is range-bound for the last few days. RSI and Stochastic are treading in neutral region. MACD is rising in the negative zone. Prices are at par with the 9 Day EMA. All these indicate that the market will trade sideways with a bearish undertone.

NCDEX Sugar M Grade June Contract

Sugar M Grade 0706(NCSGMM7)2007/05/22 - Daily B:1275.00 A:1277.00
O 1281.00 H 1281.00 L 1274.00 C 1276.00 V 7,240 I 59,900 +2
EMA(9) 1281.2 (18) 1287.8



SUPPORT / RESISTANCES

Contract	S1	S2	PCP	R1	R2
NCDEX-Sugar M- June	1267	1257	1276	1296	1303

TRADE RECOMMENDATION

Sell NCDEX - June Sugar M below 1280 with target towards 1272 then second target at 1268. Stop loss near 1285. Do not carry forward the position until the next day.

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