

SUGAR

May 12, 2007

SPOT MARKETS

Spot prices of sugar have improved at the markets of Delhi and Muzaffarnagar on some demand from bulk consumers against normal arrivals. Prices of white sugar improved internationally (LIFFE) and settled at \$ 330.50/tonne, which is one and a half months' high. Brazil is expected to produce 31.3 MMT of sugar this crop season, up 5% from the previous season. Brazil sugar market has been low-key during the week as millers shunned export in favour of domestic prices. The global sugar surplus for the crop year October 2006 to September 2007 is forecast at 9.82 MMT. USDA has forecast an Indian sugar production of 254 lakh tonnes, while the govt. estimates are pegged at around 27 MMT. The domestic and global glut situations tend to maintain the domestic prices on the lower side in the long term.

FUTURES MARKETS

The most active June contract opened at Rs. 1257/qrtl, Re. 2 above the previous close price and it traded steadily down, testing a low of Rs. 1240/qrtl. The contract then traded up to a high of Rs. 1329/qrtl before settling at Rs. 1291/qrtl. In June contract, the volume traded improved by over 56000 MT, while the open interest increased by 4650 MT. The improvement in prices is assumed to be an outcome of speculative buying on the new government in Uttar Pradesh and short covering. These prices are expected to fall back in the range of previous prices.

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. /qrtl)

Origin/Grade	Center	11.05.07	10.05.07	Change
Ready Sugar (M Grade)	Delhi	1314-1344	1302-1312	+12.00
Ready Sugar (S Grade)	Delhi	1299-1329	1287-1317	+12.00
Mill Delivery	Delhi	1229-1259	1217-1247	+12.00

TECHNICALS

Candlestick chart is showing some correction and prices have intersected with the 9 Day and 18 Day EMA. MACD and RSI have moved up to emerge from the oversold region. Stochastic gives a bullish crossover. All the technicals speak of a bullish trend in the short term.

NCDEX Sugar M Grade June Contract



SUPPORT / RESISTANCES

Contract	S1	S2	PCP	R1	R2
NCDEX-Sugar M- June	1223	1215	1291	1358	1368

TRADE RECOMMENDATION

Buy NCDEX - June Sugar M above 1280 with target towards 1300 then second target at 1306. Stop loss near 1270. Do not carry forward the position until the next day.

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