

SUGAR

09th May 2007

SPOT MARKETS

Amidst poor physical demand against normal arrivals, sugar spot prices slipped at the major markets of Muzaffarnagar, Delhi and Kolkata. The global sugar surplus for the crop year October 2006 to September 2007 is forecast at 9.82 MMT due to higher production in Brazil, India, China and Pakistan. The international price of white sugar dipped \$2.2 to \$316.60 at LIFFE. These prices are expected to dip further once the Brazil sugar hits the international market. Brazil is expected to produce 31.3 MMT of sugar this crop season, up 5% from the previous season. The traders can make the most of the opportunity to minimize their losses by exporting sugar and thereby, check domestic glut. USDA has forecast an Indian sugar production of 25.4 MMT, but Indian government is expecting a production above 26 MMT. The domestic and global glut situations tend to maintain the domestic prices on the lower side

FUTURES MARKETS

Sugar futures at NCDEX traded bearish today. The most active June contract opened firm at Rs. 1261/qrtl, Rs. 2 above the previous close price of Rs. 1259/qrtl and it traded bearish, testing a high of Rs. 1267/qrtl and low of Rs. 1251/qrtl, before closing at Rs. 1252/qrtl. The contract traded in the range of Rs. 1251-1267/qrtl. In June contract, the volume traded declined significantly, while the open interest increased by over 200 MT. The May contract opened at Rs. 1248/qrtl and traded in the range of Rs. 1236-1251/qrtl before settling at Rs. 1236/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 MMT
7. Brazil sugar production estimated at 31.3 MMT
8. Lowering international prices

WEATHER

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

TECHNICALS

The candlestick shows a bearish trend after the small correction in the previous two days. The prices are nearing the 9 Day EMA which indicates a slight firmness in prices. RSI has slightly improved and is trading steady in the oversold region. MACD has also moved slightly up in the negative region. Stochastic is also moving up. The market tends to trade down following firm opening.

NCDEX Sugar M Grade June Contract:



SUPPORT / RESISTANCES:

Contract	S1	S2	PCP	R1	R2
NCDEX-Sugar M- June Contract	1235	1230	1252	1301	1306

TRADE RECOMMENDATION:

Sell NCDEX - June Sugar M below 1255 with target towards 1243 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	08.05.07	0705.07	Change
Ready Sugar (M Grade)	Delhi	1300-1310	1310-1340	-10
Ready Sugar (S Grade)	Delhi	1285-1315	1295-1325	-10
Mill Delivery	Delhi	1215-1245	1225-1255	-10

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