

SUGAR

May 19, 2007

MARKETS

Prices of sugar remained unmoved at Muzaffarnagar and Kolkata on lack-lustre trade, while Delhi witnessed an improvement in the prices on some demand from bulk consumers. Recent hike in prices of sugar in spot and future markets can be attributed to improved demand during summer and speculative buying on account of the new govt. in UP. However, taking into account the bumper sugarcane production this year, country's sugar output is expected to cross 26 MMT and the total availability would be over 30 MMT (including carryover stock of 4 MMT). Domestic consumption is expected to be 190-195 lakh tonnes and exports are likely at 15 lakh tonnes. Sugar industry is expected to carryover 90-95 lakh tonnes to the next season. Thus, no major uptrend is expected in prices in medium to long term. Meanwhile, the Centre has cleared that the export of raw sugar is also eligible for export subsidy.

FUTURES MARKETS

NCDEX Sugar futures traded bearish today. June contract opened firm at Rs. 1286/qrtl and it traded up to test a high of Rs. 1296/qrtl. Later, the prices came down on increased selling pressure and the contract settled at Rs. 1283/qrtl. The volume of June contract declined significantly, while the open interest improved slightly. May contract opened at Rs. 1201/qrtl and traded in the range of Rs. 1182-1240/qrtl before closing at Rs. 1193/qrtl.

PRICE DRIVERS

1. Domestic and global glut
2. Stronger rupee against 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	18.05.07	17.05.07	Change
Ready Sugar (M Grade)	Delhi	1410-1435	1400-1425	+10.00
Ready Sugar (S Grade)	Delhi	1395-1420	1385-1410	+10.00
Mill Delivery	Delhi	1325-1350	1315-1340	+10.00

TECHNICALS

Candlestick shows an indecisive market with the prices intersecting the 9 Day and 18 Day EMA. RSI and Stochastic are in the neutral region, while MACD is rising in the negative region. All the technicals point towards indecisiveness in the market. So it is advised to wait till the next close.

NCDEX Sugar M Grade June Contract



SUPPORT / RESISTANCES

Contract	S1	S2	PCP	R1	R2
NCDEX-Sugar M- June	1267	1259	1283	1302	1310

TRADE RECOMMENDATION

Sell NCDEX - June Sugar M below 1285 with target towards 1271 then second target at 1268. Stop loss near 1292. Do not carry forward the position until the next day.

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