

SUGAR

17th May 2007

SPOT MARKETS

The spot prices of sugar eased further at the major of markets of Muzaffarnagar, Delhi and Kolkata amidst weak physical demand against ample supply situation. Further, recent gains can be attributed to some summer demand with some speculative buying coupled with hopes that new govt. in UP will keep cane prices at realistic level and provide more sops for sugar industry. Thus, some firmness is expected in coming days on some speculative buying. However, taking into account the bumper sugarcane production this year 2006-07, country's sugar output is expected to cross 260 lakh tonnes and the total availability would be over 300 lakh tonnes (including carryover stock of 40 lakh tonnes). 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 due to glut situation. However, the glut situation is minimized to some extent by allowing industry to process sugarcane directly for ethanol, increasing buffer stock limit and validity and allowing industry to export raw sugar.

FUTURES MARKETS

Sugar futures witnessed narrow range bound trade with bearish undertone at NCDEX. June contract opened firm at Rs 1300, up Rs 4 against the previous close of Rs 1296 and traded up initially testing a high of Rs 1308/qlt. However, prices skid thereafter on increased selling pressure and settled at negative territory. June contract traded in the range of Rs. 1280-Rs.1308/qlt and May contract traded in the range of Rs 1201-1259/qlt. In June contract both the volume and open interest declined significantly.

PRICE DRIVERS

1. Improved international prices
2. Subdued demand in the market
3. Indian sugar output estimated at around 27-28 million tones
4. Global sugar surplus forecast at 9.82 million tones
5. Domestic and global glut situation due to bumper production

WEATHER

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

TECHNICALS

Candlestick chart pattern exhibits bearish sentiment and weakness in prices. Technical indicator Stochastic and RSI is moving down in neutral region. MACD is moving slightly down in negative region. The prices managed to close between the 9days and 18days EMA. Market is expected to trade downwards following steady to slightly firm opening.

NCDEX Sugar M Grade June Contract:

Sugar M Grade 0706(NCSGMM7)2007/05/16 - Daily B:1282.00 A:1284.00
O 1300.00 H 1308.00 L 1281.00 C 1284.00 V 34,070 I 64,820 -11



SUPPORT / RESISTANCES:

| Contract | S1 | S2 | PCP | R1 | R2 |
|-----------------------------|------|------|------|------|------|
| NCDEX-Sugar M-June Contract | 1268 | 1260 | 1284 | 1298 | 1308 |

TRADE RECOMMENDATION:

SELL NCDEX - June Sugar M below 1290 with **target** towards 1280 then second target at 1275. **Stop loss** near 1295. Do not carry-forward the position until the next day.

Spot Market Prices (Rs. /qlt)

| Origin/Grade | Center | 16.05.07 | 15.05.07 | Change |
|-----------------------|--------|-----------|-----------|--------|
| Ready Sugar (M Grade) | Delhi | 1445-1470 | 1445-1475 | -5 |
| Ready Sugar (S Grade) | Delhi | 1430-1455 | 1430-1460 | -5 |
| Mill Delivery | Delhi | 1360-1385 | 1360-1390 | -5 |

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