

■ SUGAR

■ May 30, 2007

MARKETS

The spot prices of sugar remained unmoved at the major markets on poor demand and supply situations. The markets witnessed lack-lustre trade. Low international sugar prices and bleak prospects of export from India are maintaining the sentiments low. Experts see exports or raw sugar as a way out. Domestic sugar industry, faced with problems of surplus production and falling prices, is shifting its focus to raw sugar exports as the importing countries are setting up high capacity refineries. Moreover, while international price of white sugar is on a declining trend, that of raw sugar is appreciating. Monsoon has started in the southern states, which is likely to affect exports due to hassles at ports. Govt. is considering an additional relief package for the sugar industry, which includes extension of moratorium period till March 2010 and financial assistance to sugar units that missed the current crushing season. This is likely to improve the market sentiments in the short term. No major uptrend in sugar is expected in the medium to long term owing to bumper crops from Brazil and India.

FUTURES MARKETS

Sugar futures at NCDEX are continuing the bearish rally. The most active June contract opened firm at Rs. 1310/qrtl, Rs. 4 above the previous close and traded volatile testing a high of Rs. 1320/qrtl and low of Rs. 1298/qrtl before settling at Rs. 1312/qrtl with a significant dip in volume and a marginal decline in open interest.

PRICE DRIVERS

1. Domestic and global glut
2. Increased sugar estimate at 27 MMT
3. Increased supply from mills
4. Additional sops and buffer stock

WEATHER

Weather is favourable for harvesting of mid-season sugarcane crop and recently sown seasonal sugarcane. Monsoon has arrived in southern tracts.

Spot Market Prices (Rs. /qrtl)

Origin/Grade	Center	29.05.07	28.05.07	Change
Ready Sugar (M Grade)	Delhi	1395–1435	1395–1435	0.00
Ready Sugar (S Grade)	Delhi	1380–1420	1380–1420	0.00
Mill Delivery	Delhi	1310–1350	1310–1350	0.00

TECHNICALS

The candlestick pattern formed for the day shows an indecisive market. Prices closed well above the 9 Day and 18 Day EMA. RSI is trading sideways in the neutral region, while MACD is grazing closer to the zero line. Stochastic is rising in the neutral region. The technicals speak of a range bound market with bullish undertone in the short term.

NCDEX Sugar M Grade June Contract



SUPPORT / RESISTANCES

Contract	S1	S2	PCP	R1	R2
NCDEX-Sugar M- June	1292	1284	1312	1330	1340

TRADE RECOMMENDATION

Sell NCDEX - June Sugar M below 1316 with target towards 1304 then second target at 1300. Stop loss near 1322. Do not carry forward the position until the next day.

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