

MARKETS

Spot sugar prices improved marginally at the major markets on announcement of the procurement of sugar for additional buffer stock. Govt. has announced the creation of an additional sugar buffer stock of 3 million tonnes. This gives some hope to the millers who are facing mounting losses on account of production exceeding consumption, besides lack of demand in export markets. The higher FSQ for April-June at 41 MMT and the scrapping of the sops for sugar industry in UP have left the millers in a state of dismay. Millers blamed their woes on the government's delayed decision to lift the ban on sugar exports. The government, which had imposed the ban in July 2006 due to inflation concerns, had lifted it in January after satisfying itself that output would far exceed consumption. Bumper production from Brazil and India tend to keep the prices on the lower side in the medium to short term.

FUTURES MARKETS

Sugar futures at NCDEX traded further up today. The most active July contract opened firm at Rs. 1315/qrtl, Re. 1 up down the previous close, traded upwards to test a high of Rs. 1329/qrtl, before closing at Rs. 1324/qrtl. Volume of July contract traded slipped significantly, while open interest declined marginally. June contract opened firm at Rs. 1280/qrtl, traded in the range of Rs. 1277-1292/qrtl before settling at Rs. 1286/qrtl.

PRICE DRIVERS

1. Domestic and global glut
2. Increased sugar estimate at 27 MMT
3. FSQ for June fixed at 16 lakh tonnes
4. UP Govt scraps sops for sugar industry
5. Additional sops and buffer stock

WEATHER

Monsoon rains may interfere with the crushing of cane as well as sugar exports.

Spot Market Prices (Rs. /qrtl)

Origin/Grade	Center	04.06.07	02.06.07	Change
Ready Sugar (M Grade)	Delhi	1400-1445	1395-1435	+10.00
Ready Sugar (S Grade)	Delhi	1385-1430	1380-1420	+10.00
Mill Delivery	Delhi	1315-1360	1310-1350	+10.00

TECHNICALS

Candlestick pattern shows a bullish trend. Prices closed below the 9 and 18 Day EMAs. MACD is moving almost flat in the neutral region, while RSI is climbing in the neutral region. Stochastic is moving down in the neutral region. Market is expected to trade up following a firm opening in the short term.

NCDEX Sugar M Grade July Contract



SUPPORT / RESISTANCES

Contract	S1	S2	PCP	R1	R2
NCDEX-Sugar M- July	1291	1281	1324	1348	1360

TRADE RECOMMENDATION

Buy NCDEX - July Sugar M near 1320-1322 with target towards 1334 then second target at 1338. Stop loss near 1314. Do not carry forward the position until the next day.

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