

## ■ SUGAR

■ June 13, 2007

### MARKETS

Sugar spot prices eased at the major markets of Muzaffarnagar, Delhi and Kolkata on slack demand and subdued trading activity. The sops announced by the govt. to help the ailing sugar sector have not been able to maintain the higher prices for long. Govt. is actively considering the creation of an additional sugar buffer stock, allowing production of ethanol directly from sugarcane, mandatory 5% ethanol doping in all commercial motor fuels, debt restructuring and financial package, promotion of raw sugar exports etc., all of which are awaiting Cabinet approval. An improvement in prices can be expected once the sops are sanctioned by the Cabinet. But, the higher prices will be sustained only for a short term. Since supply is far in excess of demand on account of the bumper productions in all the major sugar producing countries, no major uptrend in sugar prices can be expected in the medium to long term.

### FUTURES MARKETS

Sugar futures at NCDEX traded bearish today. The most active July contract opened firm at Rs. 1322/ctl, traded steadily down to close at the intraday low of Rs. 1300/ctl. Volume of July contract traded increased significantly, while open interest dipped slightly. June contract opened firm at Rs. 1280/ctl and traded in the range of Rs. 1258-1280/ctl before settling at Rs. 1259/ctl.

### PRICE DRIVERS

1. Domestic and global glut
2. FSQ for June fixed at 16 lakh tonnes
3. Extension of period of clearance of FSQ
4. Additional buffer stock
5. Debt restructuring and financial bail out package for sugar sector
6. Mandatory 5% ethanol doping in motor fuels

### WEATHER

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

### TECHNICALS

Candlestick pattern formed in the last three days indicates a bearish trend. Prices closed below 9 and 18 Day EMAs. MACD declines and fall below the zero line. RSI is falling in the neutral region. Stochastic is moving down in the neutral region and makes a bearish cross over. Technicals speak of a distinctly bearish market in the short term.

### NCDEX Sugar M Grade July Contract

Sugar M Grade 0707(NCSGMN7)2007/06/12 - Daily B:1300.00 A:1301.00  
O 1312.00 H 1312.00 L 1300.00 C 1300.00 V 14,380 I 52,580 -14  
EMA(9) 1319.0 (18) 1320.6



### SUPPORT / RESISTANCES

Contract	S1	S2	PCP	R1	R2
NCDEX-Sugar M- July	1282	1269	1300	1340	1359

### TRADE RECOMMENDATION

**Sell** NCDEX - July Sugar M below 1304 with target towards 1292 then second target at 1288. Stop loss near 1310. Do not carry forward the position until the next day.

### Spot Market Prices (Rs. /ctl)

Origin/Grade	Center	12.06.07	11.06.07	Change
Ready Sugar (M Grade)	Delhi	1380-1425	1390-1435	-10.00
Ready Sugar (S Grade)	Delhi	1365-1410	1375-1420	-10.00
Mill Delivery	Delhi	1295-1340	1305-1350	-10.00



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### MCX Futures Prices (Rs./qtl)

Commodity	Contract Month	Open	High	Low	Last Traded Price	Previous Close	Change
Sugar - Kolhapur	June	1228	1228	1221	1221	1233	-12.00
	July	1238	1238	1228	1228	1244	-16.00
	August	1243	1243	1240	1240	1250	-10.00

### INTERNATIONAL FUTURES QUOTES (as on June 11, 2007)

#### NYBOT Sugar No. 11 Prices (US Cents/lb)

Contract Month	Open	High	Low	Close	Change
July 2007	8.58	8.78	8.45	8.76	+0.15
October 2007	8.83	9.07	8.78	9.05	+0.20
March 2008	9.38	9.55	9.35	9.55	+0.13

#### LIFFE Sugar Prices (US\$/MT)

Contract Month	Open	High	Low	Close	Change
August 2007	307.10	312.00	307.00	311.50	+0.50
October 2007	300.10	306.40	300.10	305.60	+2.40
December 2007	297.20	300.00	296.70	299.20	+1.50

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