

## ■ SUGAR

■ June 2, 2007

### MARKETS

Spot sugar prices remained steady at the major markets of Delhi, Muzaffarnagar and Kolkata on subdued trading activity. The Centre has fixed open sale quota for June at 1.6 MMT, up 23% on year to bring down mounting stocks and ensure adequate supply in the local market. The early arrival of monsoon may force the sugar factories in Maharashtra and Karnataka to shut down their operations, leaving about 3 mt of sugarcane uncrushed. India's oil minister has said that legislation for blending 10% ethanol into all commercial fuels will be introduced within four years. This will result in an annual procurement of 550 million litres of ethanol. Brazil is expected to produce 528 million tons of sugarcane in the new 2007-08 crop, with 88.7% of it (468.2 MMT), destined for sugar and ethanol industries. 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 traded bearish today. The most active July contract opened weak at Rs. 1337/qrtl, Rs. 5 down the previous close of Rs. 1342/qrtl, traded steadily down to test a low of Rs. 1293/qrtl. It later improved on some buying interest and was settled at Rs. 1304/qrtl with a significant increase in volume and a marginal decline in open interest. June contract opened weak at Rs. 1295/qrtl, traded in the range of Rs. 1257-1295/qrtl and closed at Rs. 1266/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. Additional sops and buffer stock

### WEATHER

Monsoon has hit the southern tracts of the country. Monsoon rains may interfere with the crushing of cane as well as sugar exports

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

| Origin/Grade          | Center | 01.06.07  | 31.05.07  | 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

Candlestick pattern formed for the day gives a strongly bearish signal. MACD, RSI and Stochastic are moving downward in the neutral region. Prices closed below the 9 Day and 18 Day EMA. The technical indicators point towards a bearish market in the short term.

### NCDEX Sugar M Grade July Contract



### SUPPORT / RESISTANCES

| Contract            | S1   | S2   | PCP  | R1   | R2   |
|---------------------|------|------|------|------|------|
| NCDEX-Sugar M- July | 1274 | 1266 | 1304 | 1360 | 1371 |

### TRADE RECOMMENDATION

**Sell** NCDEX - July Sugar M below 1308 with target towards 1295 then second target at 1290. Stop loss near 1315. Do not carry forward the position until the next day.

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