

■ SUGAR

■ June 6, 2007

MARKETS

Spot sugar prices improved at the major markets on govt.'s decision regarding creation of additional buffer stock and the extension of period for clearing the open sale quota till July 15. Prices improved on account of month-beginning consumer purchases also. After fixing a higher quota of 16 lakh tonnes for the month of June, govt. has extended the period for clearing it till July 15th. The additional time is expected to ease the pressures on the prices as mills can offload the stock slowly in the market. However, experts opine that announcement of extended period for clearing the quota at the beginning of the month could lead to hoarding by mills. Indian Sugar Mills Association (ISMA) is planning to promote raw sugar exports to the neighbouring countries, to reduce the excessive stocks weighing down the industry. The prices are expected to remain on the lower side in the medium to long term owing to bumper productions from Brazil and India.

FUTURES MARKETS

Sugar futures at NCDEX traded bullish with the most active July contract opening firm at Rs. 1327/qrtl, Rs. 3 above the previous close, traded upwards to test a high of Rs. 1338/qrtl, and down to test a low of Rs. 1323/qrtl, before closing at Rs. 1329/qrtl. Volume increased moderately, while open interest dipped marginally. June contract opened firm at Rs. 1289/qrtl, traded in the range of Rs. 1283-1298/qrtl before settling at Rs. 1292/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. Extension of period of clearance of FSQ
5. UP Govt scraps sops for sugar industry
6. Additional 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	05.06.07	04.06.07	Change
Ready Sugar (M Grade)	Delhi	1430-1475	1400-1445	+30.00
Ready Sugar (S Grade)	Delhi	1415-1460	1385-1430	+30.00
Mill Delivery	Delhi	1345-1390	1315-1360	+30.00

TECHNICALS

Candlestick pattern shows an indecisive market with a tendency to revert. Prices closed at par with 9 and 18 Day EMAs. MACD and RSI are moving almost flat in the neutral region. Stochastic is moving down in the neutral region. It is recommended to wait till the next closing to confirm the market trend.

NCDEX Sugar M Grade July Contract



SUPPORT / RESISTANCES

Contract	S1	S2	PCP	R1	R2
NCDEX-Sugar M- July	1291	1281	1329	1348	1360

TRADE RECOMMENDATION

Sell NCDEX - July Sugar M less than 1328 with target towards 1315 then second target at 1310. Stop loss near 1335. Do not carry forward the position until the next day.

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