



## ■ SUGAR

■ July 14, 2007

### SPOT MARKETS

Sugar spot prices remained unmoved at Delhi and Muzaffarnagar markets on slack demand from bulk as well as retail consumers as well as lack-lustre trade. Prices improved marginally at Kolkata on some demand from the retailers. RBI has directed the banks to allocate separate sub-limits, equivalent to 100% value of buffer stock allocated for a sugar factory, in the case of loans against sugar stocks. Sugar mills will have to segregate the stocks meant for buffer stock operations from the stock of sugar already held by them. However, the RBI has directed banks to ensure that the amount so available is utilized for making sugarcane payment. This decision is expected to provide a big relief to sugar mills starving for funds to pay sugarcane growers. However, the glut situation in the domestic and global markets is seen casting a bearish spell on the sugar prices in the medium to long term.

### FUTURES MARKETS (NCDEX)

Sugar futures traded range-bound at NCDEX with the prices closing lower than the opening levels. The most active August contract opened firm at Rs. 1345/mt and traded up thereafter to test an intraday high of Rs. 1348/mt. Increased selling pressure at higher levels caused the prices to slump and the contract tested a low of Rs. 1334/mt, before closing at Rs. 1335/mt. Volume of contract traded as well as open interest declined as compared to the previous day.

### PRICE DRIVERS

1. Domestic and global glut
2. FSQ for July-September fixed at 36 L tonnes
3. Extension of period of clearance of FSQ
4. Govt. raised buffer stock by 3 million tonnes
5. UP govt. expected to announce the new policy for the sugar sector soon
6. Banks to allocate separate sub-limits for loans against sugar stocks.

### WEATHER IMPACT

Monsoon rains in Maharashtra may interfere with the crushing of cane as well as sugar exports. Rains pose difficulties in transport and storage of sugar.

### TECHNICALS (NCDEX)

A short bearish candle is formed for the day with some selling at higher levels. Prices closed at par with the EMAs. MACD is flat in the negative region, while RSI is flat in the neutral region, giving scope for movement in either direction. Stochastic is rising hesitantly to emerge out of the oversold zone, which is likely to give some firmness to the prices. Sugar is expected to trade range-bound in the short term with a bearish tone.

### NCDEX Sugar M Grade August Contract



### SUPPORT / RESISTANCES

Contract	S1	S2	PCP	R1	R2
NCDEX-Sugar M- August	1320	1308	1335	1363	1376

### TRADE RECOMMENDATION

**Sell** NCDEX - August Sugar M below Rs. 1338/mt with target towards 1328 then second target at 1325. Strict stop loss near 1343. Do not carry forward the position until the next day. Trade cautiously with intraday outlook.

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

Origin/Grade	Center	13.07.07	12.07.07	Change
Ready Sugar (M Grade)	Delhi	1415-1455	1415-1455	0
Ready Sugar (S Grade)	Delhi	1400-1440	1400-1440	0
Mill Delivery	Delhi	1330-1370	1330-1370	0

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

Commodity	Contract Month	Open	High	Low	Last Traded Price	Previous Close	Change
Sugar - Kolhapur	July	1287	1319	1287	1304	1298	+6
	August	1299	1334	1299	1331	1299	+40
	September	1303	1314	1303	1314	1304	+10

### MCX Sugar – Kolhapur Review

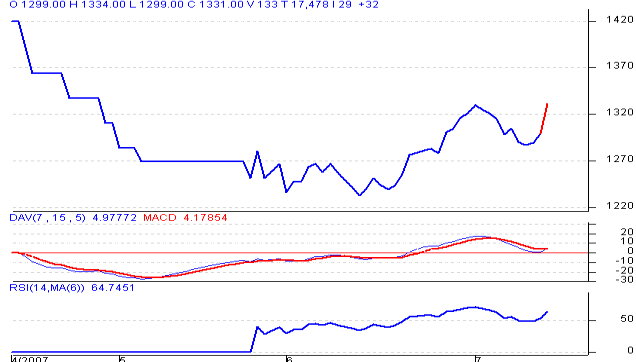
Sugar-Kolhapur contracts traded strongly bullish at MCX. The most active August contract opened firm at Rs. 1399/qtl and traded up thereafter to test a high of Rs. 1334/qtl. Prices eased marginally afterwards on some selling pressure at higher levels and the contract settled at Rs. 1331/qtl. Volume traded improved significantly, while open interest dipped, indicating short coverage. MACD is flat in the positive region, while RSI and Stochastic are rising in the neutral zone. Stochastic has made a bullish crossover. Overall, the market is expected to trade bullish in the short term.

### SUPPORT / RESISTANCES

Contract	S1	S2	PCP	R1	R2
MCX-SUGARSKLP- August	1284	1271	1331	1337	1347

### MCX Sugar - Kolhapur August Contract

SUGARSKLP 0708(MXSUG07)2007/07/13 - Daily B:1326.00 A:1328.00  
O 1299.00 H 1334.00 L 1299.00 C 1331.00 V 133 T 17,478 I 29 +32



### TRADE RECOMMENDATION

**Buy** MCX - August SugarSKLP near 1327-1330/qtl with target towards 1340 then second target at 1344. Stop loss near 1322. Do not carry forward the position until the next day.

### INTERNATIONAL FUTURES QUOTES (as on July 12, 2007)

Contract Month	Open	High	Low	Close	Change
<b>NYBOT Sugar No. 11 Prices (US Cents/lb)</b>					
October 2007	9.68	9.74	9.66	9.70	-0.05
March 2008	10.11	10.14	10.07	10.12	-0.08
May 2008	10.23	10.25	10.23	10.25	-0.07
<b>LIFFE Sugar Prices (US\$/MT)</b>					
August 2007	310.00	310.00	301.90	308.00	-2.00
October 2007	311.40	311.50	304.00	311.50	0.00
December 2007	307.00	310.00	303.10	309.50	+1.20

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