

## ■ SUGAR

■ July 27, 2007

### SPOT MARKETS

Sugar prices slumped at the major cash markets on poor demand against ample supplies and lack-lustre trade. Sugar mills are actively selling their quota for the month of July. The unsold quota will be bought by authorities at lower prices for the govt.'s welfare programmes. The market is still awaiting govt.'s decision on the financial package intended for the sugar sector. Meanwhile, govt. has lifted controls over exports of sugar by doing away with govt. permits and quantitative limits, thereby allowing the mills to export as much volume they wish to. This is likely to provide some support to the falling sugar prices. Also, the prices are expected to improve slightly, once the govt. announces the sops for the sector. However, no major uptrend in sugar prices is expected in the medium to long term owing to the glut situation.

### FUTURES MARKETS (NCDEX)

Sugar futures traded volatile at NCDEX with bullish tone on short covering. The most active August contract opened weak at Rs. 1300/mtl and traded down thereafter to test an intraday low of Rs. 1289/mtl. Prices improved later on improved buying interest at lower levels and the contract tested an intraday high of Rs. 1309/mtl. Further, increased selling pressure pushed the prices down and the contract settled at Rs. 1303/mtl. Volume traded improved, while open interest dipped 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. Govt. to announce the financial package for sugar
6. Govt. to mandate 10% ethanol doping by Oct
7. Banks to allocate separate sub-limits for loans against sugar stocks.
8. Decontrolling of sugar exports

### 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)

An indecisive candle is formed in the charts with the prices closing well below the EMAs. All the indicators are almost flat and fail to provide any direction. Volumes traded improved, while open interest dipped as compared to the previous day, indicating short covering. Sugar is expected to trade range-bound with bullish inclination

### NCDEX Sugar M Grade August Contract

Sugar M Grade 0708(NCSGMQ7)2007/07/26 - Daily B:1303.00 A:1305.00  
O 1300.00 H 1309.00 L 1289.00 C 1303.00 V 29,740 I 48,080 O  
EMA(9) 1317.7 (18) 1327.0



### SUPPORT / RESISTANCES

Contract	S1	S2	PCP	R1	R2
NCDEX-Sugar M- August	1262	1250	1303	1333	1350

### TRADE RECOMMENDATION

**Buy** NCDEX - August Sugar M near 1300-1303 with target towards 1313 then second target at 1315. Strict stop loss near 1295. Do not carry forward the position until the next day. Trade cautiously with intraday outlook.

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

Origin/Grade	Center	26.07.07	25.07.07	Change
Ready Sugar (M Grade)	Delhi	1390-1430	1395-1435	-5
Ready Sugar (S Grade)	Delhi	1375-1415	1380-1420	-5
Mill Delivery	Delhi	1305-1345	1310-1350	-5

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

Commodity	Contract Month	Open	High	Low	Last Traded Price	Previous Close	Change
Sugar - Kolhapur	August	1268	1277	1264	1273	1271	+2
	September	1282	1282	1273	1281	1285	-4
	October	1293	1294	1284	1284	1296	-12

### MCX Sugar – Kolhapur Review

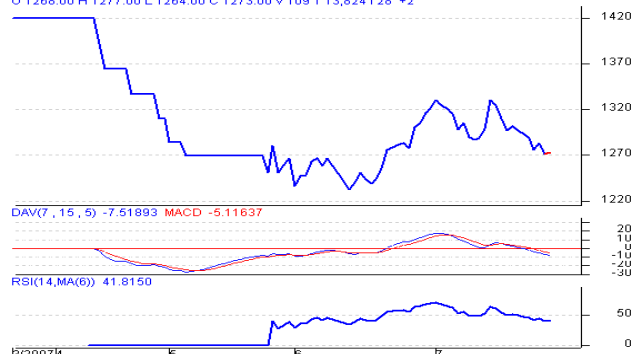
Sugar-Kolhapur traded volatile at MCX with bullish tone on short covering. August contract opened weak at Rs. 1261/qtl and traded down to test an intraday low of Rs. 1264/qtl. The prices improved later on some buying interest at lower levels and the contract tested an intraday high of Rs. 1277/qtl, before closing at Rs. 1273/qtl. Volume traded improved, while open interest dipped as compared to the previous day. Prices closed below the EMAs. RSI and Stochastic are flat in the neutral region, while MACD is falling slightly in the negative zone. Sugar-Kolhapur is expected to trade range-bound with bullish tone in the short term.

### SUPPORT / RESISTANCES

Contract	S2	S1	PCP	R1	R2
MCX-SUGARSKLP- August	1244	1255	1273	1290	1302

### MCX Sugar - Kolhapur August Contract

SUGARSKLP 0708(MXSUGG7)2007/07/26 - Daily B:1272.00 A:1274.00  
O 1268.00 H 1277.00 L 1264.00 C 1273.00 V 109 T 13,824 I 28 +2



### TRADE RECOMMENDATION

**Buy** MCX - August Sugar SKLP near 1270-1272 with target towards 1282 then second target at 1284. Stop loss near 1265. Do not carry forward the position until the next day.

### INTERNATIONAL FUTURES QUOTES (as on July 25, 2007)

Contract Month	Open	High	Low	Close	Change
<b>NYBOT Sugar No. 11 Prices (US Cents/lb)</b>					
October 2007	10.12	10.20	10.03	10.15	-0.04
March 2008	10.46	10.48	10.37	10.47	-0.06
May 2008	10.51	10.51	10.51	10.51	-0.03
<b>LIFFE Sugar Prices (US\$/MT)</b>					
August 2007	310.00	318.00	306.60	318.00	+9.50
October 2007	312.00	312.00	309.20	311.30	-0.70
December 2007	309.60	310.50	308.50	309.50	-1.30

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