

■ SUGAR

■ July 28, 2007

SPOT MARKETS

Sugar traded firm at the major spot markets on bullish sentiments following the announcement of the relaxation of controls over export of sugar and GoM decision to mandate 5% ethanol blending in petrol. Centre has formally lifted the controls over exports of sugar by doing away with govt. permits and quantitative limits. The mills are free to export as much of volume they wish to. The group of ministers has given its approval for mandatory extension of 5% ethanol blending in petrol throughout the country. However, no decision has been taken on crucial proposals of financial and debt-restructuring measures for sugar mills. The sugar prices are expected to get some support once the package for sugar mills is announced. However, the medium to long term outlook on sugar remains bearish, given the glut situation.

FUTURES MARKETS (NCDEX)

Sugar futures traded bearish at NCDEX with some buying initially. The most active September contract opened firm at Rs. 1324/qrtl and traded up initially to test an intraday high of Rs. 1333/qrtl. Increased selling pressure at the higher levels pushed the prices down to test an intraday low of Rs. 1319/qrtl, before settling at Rs. 1320/qrtl. The volume and open interest of the contract dipped significantly as compared to the previous day. The August contract opened at Rs. 1305/qrtl and traded in the range of Rs. 1296-1314/qrtl, before closing at the day's low of Rs. 1296/qrtl.

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. Mandatory 5% ethanol blending countrywide
7. Banks to allocate separate sub-limits for loans against sugar stocks.
8. Decontrolling of sugar exports

WEATHER IMPACT

Dry phase during monsoon in Maharashtra is favourable for the movement of the old sugarcane crop.

TECHNICALS (NCDEX)

A bearish candle with some buying above is formed in the charts. All the indicators are almost flat and fail to provide any direction to the future trend of the market. Prices closed well below the EMAs. Stochastic is trading the threshold of the oversold region. The market is expected to trade range-bound with a bearish inclination in the short term.

NCDEX Sugar M Grade September Contract



SUPPORT / RESISTANCES

Contract	S2	S1	PCP	R1	R2
NCDEX-Sugar M- September	1287	1301	1320	1353	1363

TRADE RECOMMENDATION

Sell NCDEX - August Sugar M near 1325-1327 with target towards 1315 then second target at 1312. Strict stop loss near 1332. Do not carry forward the position until the next day. Trade cautiously with intraday outlook.

Spot Market Prices (Rs. /qrtl)

Origin/Grade	Center	27.07.07	26.07.07	Change
Ready Sugar (M Grade)	Delhi	1395-1435	1390-1430	+5
Ready Sugar (S Grade)	Delhi	1380-1420	1375-1415	+5
Mill Delivery	Delhi	1310-1350	1305-1345	+5

MCX Futures Prices (Rs. /qtl)

Commodity	Contract Month	Open	High	Low	Last Traded Price	Previous Close	Change
Sugar - Kolhapur	August	1274	1285	1272	1273	1272	+1
	September	1282	1292	1278	1280	1279	+1
	October	1283	1292	1280	1283	1286	-3

MCX Sugar – Kolhapur Review

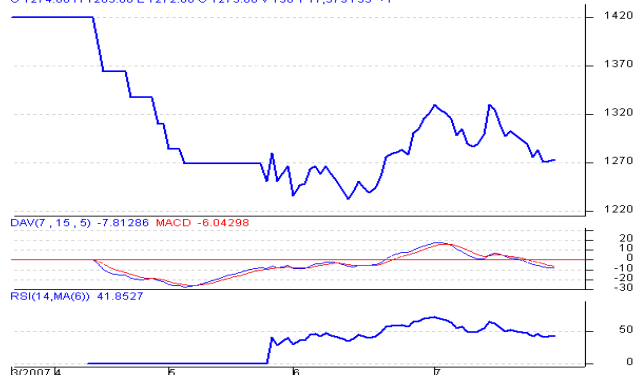
Sugar-Kolhapur contracts traded volatile at MCX, with the contracts closing near opening levels. The most active August contract opened firm at Rs. 1274/qtl. The contract traded up thereafter to test an intraday high of Rs. 1285/qtl and then down on increased selling pressure at higher levels to test an intraday low of Rs. 1272/qtl, before closing at Rs. 1273/qtl. Volume of contract traded and open interest improved, indicating short accumulation. All the indicators are flat and are not giving any direction of the future trend of the market. Prices closed below the EMAs. The market is expected to trade range-bound with downward inclination in the short term.

SUPPORT / RESISTANCES

Contract	S2	S1	PCP	R1	R2
MCX-SUGARSKLP- August	1245	1256	1273	1287	1299

MCX Sugar - Kolhapur August Contract

SUGARSKLP 0708(MX:SUGQ7)2007/07/27 - Daily B:1272.00 A:1274.00
O 1274.00 H 1285.00 L 1272.00 C 1273.00 V 136 T 17,379 I 33 +1



TRADE RECOMMENDATION

Sell MCX - August Sugar SKLP near 1273-1275 with target towards 1263 then second target at 1260. Stop loss near 1280. Do not carry forward the position until the next day.

INTERNATIONAL FUTURES QUOTES (as on July 26, 2007)

Contract Month	Open	High	Low	Close	Change
NYBOT Sugar No. 11 Prices (US Cents/lb)					
October 2007	10.25	10.35	10.18	10.22	+0.07
March 2008	10.55	10.60	10.49	10.51	+0.04
May 2008	10.61	10.61	10.55	10.55	+0.04
LIFFE Sugar Prices (US\$/MT)					
August 2007	310.00	318.00	306.60	318.00	+9.50
October 2007	312.00	314.70	311.50	313.30	+2.00
December 2007	310.70	312.70	310.00	311.30	+1.80

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