

## ■ SUGAR

■ July 13, 2007

### SPOT MARKETS

Sugar spot market prices improved slightly at the major spot markets across the country. The mills are trying to offload their quota for June by July 15<sup>th</sup>, 2007. The positive sentiments in the market are due to the directive of RBI to 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. 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. The govt. is likely to provide some relief to the sugar industry by providing an extension to sugar companies that have an export obligation under the advance license scheme. However, the medium to long term outlook on sugar prices remain bearish due to the glut situation in the domestic and global markets.

### FUTURES MARKETS (NCDEX)

Sugar contracts at NCDEX bullish at NCDEX on short covering. The most active August contract opened firm at Rs. 1328/qrtl and traded down to test a low of Rs. 1324/qrtl. Increased buying interest at the lower levels pushed the prices up to test an intraday high of Rs. 1349/qrtl. Sellers emerging at the higher prices lowered the prices and the contract closed at Rs. 1342/qrtl. Volume of contract traded improved, while open interest dipped marginally 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 bullish candle with selling pressure above is formed for the day. Prices closed at par with the EMAs. RSI is rising in the neutral region and Stochastic has made a bullish crossover in the oversold region. These indicate a bullish trend. MACD is flat in the negative zone. Overall, the technicals indicate that the market will move up in the short term.

### NCDEX Sugar M Grade August Contract

Sugar M Grade 0708(NCSGMQ7)2007/07/12 - Daily B:1342.00 A:1344.00  
O 1328.00 H 1349.00 L 1324.00 C 1342.00 V 27,090 I 54,910 +14  
EMA(9) 1339.3 (18) 1344.5 EMA(9) 1339.3



### SUPPORT / RESISTANCES

Contract	S1	S2	PCP	R1	R2
NCDEX-Sugar M- August	1319	1308	1342	1364	1385

### TRADE RECOMMENDATION

**Buy** NCDEX - August Sugar M near 1336-1338 with target towards 1350 then second target at 1354. Strict stop loss near 1330. Do not carry forward the position until the next day. Trade cautiously with intraday outlook.

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

Origin/Grade	Center	12.07.07	11.07.07	Change
Ready Sugar (M Grade)	Delhi	1415-1455	1408-1448	+7
Ready Sugar (S Grade)	Delhi	1400-1440	1393-1433	+7
Mill Delivery	Delhi	1330-1370	1323-1363	+7

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

Commodity	Contract Month	Open	High	Low	Last Traded Price	Previous Close	Change
Sugar - Kolhapur	July	1281	1300	1281	1300	1283	+17
	August	1293	1305	1293	1304	1289	+15
	September	1296	1307	1295	1306	1295	+11

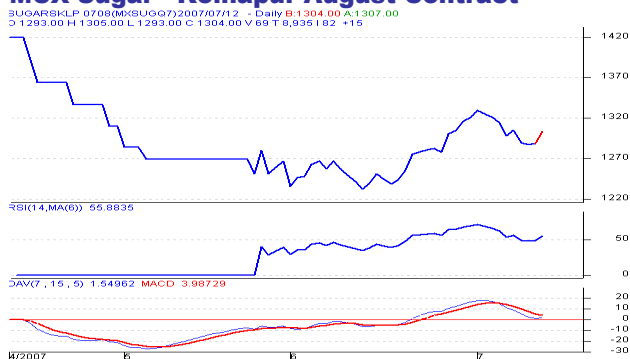
### MCX Sugar – Kolhapur Review

Sugar-Kolhapur contracts traded bullish at MCX. The most active August contract opened firm at Rs. 1293/qtl and traded steadily up to test an intraday high of Rs. 1305/qtl and closed at Rs. 1304/qtl. Volume of contract traded and open interest dipped as compared to the previous day. MACD is almost flat in the positive zone, while RSI is rising in the neutral region. Stochastic is about to make a bullish cross over in the oversold region. The market is expected to trade up in the short term

### SUPPORT / RESISTANCES

Contract	S1	S2	PCP	R1	R2
MCX-SUGARSKLP-August	1287	1276	1304	1320	1331

### MCX Sugar - Kolhapur August Contract



### TRADE RECOMMENDATION

**Buy** MCX - August SugarSKLP near 1300-1302/qtl with target towards 1312 then second target at 1315. Stop loss near 1295. Do not carry forward the position until the next day.

### INTERNATIONAL FUTURES QUOTES (as on July 11, 2007)

Contract Month	Open	High	Low	Close	Change
<b>NYBOT Sugar No. 11 Prices (US Cents/lb)</b>					
October 2007	9.72	9.77	9.60	9.75	+0.09
March 2008	10.17	10.21	10.08	10.20	+0.10
May 2008	10.26	10.32	10.26	10.32	+0.10
<b>LIFFE Sugar Prices (US\$/MT)</b>					
August 2007	315.80	316.10	300.10	310.00	-4.00
October 2007	312.90	314.40	301.10	311.50	+0.10
December 2007	308.90	310.40	300.40	308.30	+0.80

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