

## SUGAR

July 25, 2007

### SPOT MARKETS

Sugar spot prices slumped at all the major markets on slack demand against ample supplies. The millers are seen under pressure to sell the unsold July stock around 500,000-600,000 tonnes. Sugar industries are waiting for the govt.'s decision on the financial package, likely to be decided this week. Sugar prices are expected to get some support once the package is announced. This time, it is known that Brazil's mills crushing less cane than expected and also diverting a larger share of their crop towards manufacture of ethanol. This may support the global market in coming days. However, the medium to long term outlook of domestic sugar prices remain weak, given the glut situation.

### FUTURES MARKETS (NCDEX)

Sugar contracts settled up at NCDEX. The most active August contract opened flat at Rs. 1308/qty. The contract traded up initially to test an intraday high of Rs. 1314/qty. However, increased selling pressure at higher levels capped the early advances and settled at Rs. 1310/qty. The contract traded in the range of Rs. 1306-1314/qty. The volume traded has declined whereas open interest improved 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. 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. Govt. to mandate Sugarcane (Control) Order, 1966

### 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 small bullish candle is formed with both lower and upper shadow, indicating some indecisive market tone. The prices closed well below the EMAs, reflecting weakness may continue in medium term. Stochastic are falling in the oversold region, sowing some possibility of technical correction, while MACD is falling slowly in the negative zone. Overall, technical point towards a bearish market and sugar is expected to trade down in the short term.

### NCDEX Sugar M Grade August Contract

O 1308.00 H 1314.00 L 1306.00 C 1310.00 V 11,440 I 49,130 +2  
EMA(9) 1325.7 (18) 1332.9



### SUPPORT / RESISTANCES

Contract	S1	S2	PCP	R1	R2
NCDEX-Sugar M- August	1297	1292	1310	1319	1324

### TRADE RECOMMENDATION

**Sell** NCDEX - August Sugar M below Rs. 1313 with target towards 1301 then second target at 1295. Strict stop loss near 1319. Do not carry forward the position until the next day. Trade cautiously with intraday outlook.

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

Origin/Grade	Center	24.07.07	23.07.07	Change
Ready Sugar (M Grade)	Delhi	1400-1435	1400-1440	-5
Ready Sugar (S Grade)	Delhi	1385-1420	1385-1425	-5
Mill Delivery	Delhi	1315-1355	1315-1355	-

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

Commodity	Contract Month	Open	High	Low	Last Traded Price	Previous Close	Change
Sugar - Kolhapur	August	1272	1288	1255	1284	1276	+8
	September	1297	1299	1292	1297	1296	+1
	October	1305	1310	1302	1308	1307	+1

### MCX Sugar – Kolhapur Review

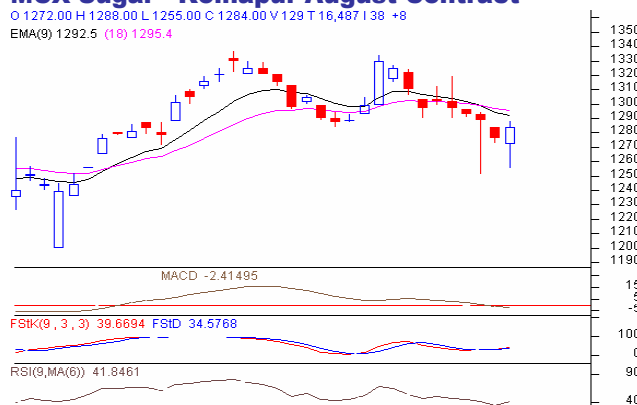
Sugar-Kolhapur futures settled in green at MCX. The most active August contract opened weak at Rs. 1272/qtl and traded steadily down initially to test an intraday low of Rs. 1255/qtl. However, increased buying interest at lower levels has recovered the contract and settled up by 0.63% at Rs.1284/qtl. Volume and open interest remained up. Prices closed well below the EMAs. MACD is falling in negative region, while Stochastic and RSI are turning up in neutral region. Overall, the market is showing somewhat firm trend in the short term.

### SUPPORT / RESISTANCES

Contract	S1	S2	PCP	R1	R2
MCX-SUGARSKLP-August	1266	1258	1284	1305	1312

### MCX Sugar - Kolhapur August Contract

O 1272.00 H 1288.00 L 1255.00 C 1284.00 V 129 T 16,487 I 38 +8  
EMA(9) 1292.5 (18) 1295.4



### TRADE RECOMMENDATION

**BUY** MCX - August Sugar SKLP above Rs. 1280 with target towards 1290 then second target at 1295. Stop loss near 1275. Do not carry forward the position until the next day

### INTERNATIONAL FUTURES QUOTES (as on July 23, 2007)

Contract Month	Open	High	Low	Close	Change
<b>NYBOT Sugar No. 11 Prices (US Cents/lb)</b>					
October 2007	10.28	10.34	10.06	10.15	-0.15
March 2008	10.73	10.75	10.35	10.49	-0.26
May 2008	10.55	10.55	10.47	10.48	-0.29
<b>LIFFE Sugar Prices (US\$/MT)</b>					
August 2007	10.55	10.55	10.47	10.48	-0.29
October 2007	311.40	311.40	311.40	311.40	-1.40
December 2007	310.90	310.90	310.90	310.90	-2.40

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