

## ■ SUGAR

■ August 10, 2007

### SPOT MARKETS

Sugar traded weak at the spot markets in Delhi and Muzaffarnagar on weak demand and lack-lustre trade, while prices improved slightly at Kolkata on some demand from retailers and stockists. Festive demand in North India is likely to provide some support to the prices in the short term. The road blocks in North India due to pilgrim season in Haridwar is restricting supplies. The govt. sanction to carry forward unsold July quota is likely to add to the depressed prices on increased supplies. The Allahabad High Court stayed the proposed disinvestment of 28 cooperative sugar mills and seven distilleries in Uttar Pradesh. Nearly 10 lakh tonnes of levy sugar is lying with mills in Maharashtra unlifted by the government. The industry is pushing for open market sale of a part of the 10 lakh tonnes of levy sugar lying with them. The sugar prices are expected to remain subdued in the medium to long term, given the glut situation in the current season as well as the next season.

### FUTURES MARKETS (NCDEX)

Sugar futures traded weak at NCDEX. The most active September contract opened at the previous closing price of Rs. 1296/qrtl and traded steadily down thereafter to test an intraday low of Rs. 1287/qrtl. Prices improved later on some buying interest at lower levels and the contract settled at Rs. 1291/qrtl. Open interest dipped marginally, while volume improved significantly as compared to the previous day, indicating some long liquidation.

### 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 likely
4. Govt. raised buffer stock by 3 million tonnes
5. Mandatory 5% ethanol blending countrywide
6. Decontrolling of sugar exports
7. Acreage under sugarcane increased to 5.11 million ha, while output for the next season is estimated at 30 MMT

### WEATHER IMPACT

Revival of monsoon and increased acreage points towards higher cane production.

### TECHNICALS (NCDEX)

A bearish candle with some buying at lower levels is formed for the day. Prices remain below the EMAs. MACD is flat and directionless, while RSI and Stochastic are falling hesitantly in the neutral zone. Stochastic is likely to make a bearish cross over. Overall, the technicals indicate a weak market. Sugar is expected to trade subdued in the next trading session.

### NCDEX Sugar M Grade-September Contract



### SUPPORT / RESISTANCES

Contract	S2	S1	PCP	R1	R2
NCDEX-Sugar M- September	1265	1276	1291	1312	1321

### TRADE RECOMMENDATION

**Sell** NCDEX - September Sugar M near 1294-1296 with target towards 1286 then second target at 1284. Strict stop loss near 1300. Do not carry forward the position until the next day. Trade cautiously with intraday outlook.

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

Origin/Grade	Center	09.08.07	08.08.07	Change
Ready Sugar (M Grade)	Delhi	1395-1435	1395-1435	0
Ready Sugar (S Grade)	Delhi	1380-1420	1380-1420	0
Mill Delivery	Delhi	1310-1350	1310-1350	0

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

Commodity	Contract Month	Open	High	Low	Last Traded Price	Previous Close	Change
Sugar - Kolhapur	August	1242	1243	1240	1240	1243	-3
	September	1246	1247	1242	1243	1242	+1
	October	1245	1248	1241	1244	1246	-2

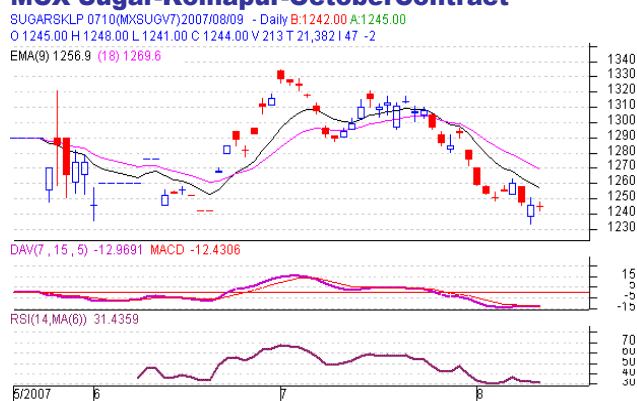
### MCX Sugar-Kolhapur Review

MCX sugar-Kolhapur contracts traded volatile. The most active October contract opened at Rs. 1245/qtl and traded up initially to test an intraday high of Rs. 1248/qtl. Later prices slumped on increased selling pressure at higher levels and the contract tested an intraday low of Rs. 1241/qtl. The contract finished at Rs. 1244/qtl. Volume traded and open interest of the contract dipped slightly as compared to the previous day. MACD, RSI and Stochastic are flat and directionless in the oversold region. Prices closed well below the EMAs. There is indecision in the market. Hence, it is recommended to wait for the next close to confirm the trend, before taking positions.

### SUPPORT / RESISTANCES

Contract	S2	S1	PCP	R1	R2
MCX-SUGARSKLP-October	1225	1233	1244	1250	1258

### MCX Sugar-Kolhapur-OctoberContract



### TRADE RECOMMENDATION

**Sell** MCX -October Sugar SKLP below 1245 with target towards 1237 then second target at 1235. Stop loss near 1249. Do not carry forward the position until the next day.

### INTERNATIONAL FUTURES QUOTES (as on August 8, 2007)

Contract Month	Open	High	Low	Close	Change
<b>NYBOT Sugar No. 11 Prices (US Cents/lb)</b>					
October 2007	9.84	9.91	9.75	9.82	-0.02
March 2008	10.10	10.15	10.05	10.11	-0.01
May 2008	10.16	10.20	10.10	10.15	-0.02
<b>LIFFE Sugar Prices (US\$/MT)</b>					
August 2007	310.00	318.00	306.60	318.00	+9.50
October 2007	286.50	286.70	280.10	283.60	-4.60
December 2007	291.00	293.40	287.00	291.00	-4.50

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