

## ■ SUGAR

■ Sept 1, 2007

### SPOT MARKETS

Sugar traded almost flat at the major cash markets on weak demand due to month end cash crunch and lack lustre trade. The govt. move to mandate 5% ethanol blend in petrol nationwide with immediate effect has seen oil companies stepping up lifting of ethanol. The festive demand emerging from the different states of the country as well as the govt. sops (financial and debt restructuring package and 5% mandatory ethanol blending in petrol) is likely to provide some support to the sagging sugar industry. However, the long term outlook on sugar prices remains bearish on account of the oversupply which is expected to persist till 2009. Though Brazil's sugarcane area has increased 15.2% on year to 6.9 million ha and its sugarcane production is estimated higher at 547.2 million tonnes, 2007-08 sugar output is seen slightly down on year at 30 million tonnes from 30.2 million tonnes in 2006-07.

### FUTURES MARKETS (NCDEX)

Sugar futures traded volatile at NCDEX in a narrow range. The most active October contract opened weak at Rs. 1304/qrtl, Rs. 2 down the previous settlement and traded up initially to test an intraday high of Rs. 1307/qrtl. Prices later slumped on increased selling pressure at higher levels and the contract tested an intraday low of Rs. 1300/qrtl. The contract closed marginally lower than the opening levels at Rs. 1303/qrtl. Volume and open interest of the contract were lower as compared to the previous day.

### PRICE DRIVERS

1. Domestic and global glut
2. Govt. raised buffer stock by 3 million tonnes
3. Acreage under sugarcane increased to 5.11 million ha
4. Festive demand
5. Carry forward of July unsold quota
6. Financial and debt restructuring package
7. 10% ethanol doping effective October 2008

### WEATHER IMPACT

Near normal monsoon and increased acreage points towards higher cane production.

### TECHNICALS (NCDEX)

A short indecisive candle is formed in the charts. MACD is flat at the zero line, indicating intermediate term indecisiveness in the market. RSI falling slightly in the neutral zone indicates slight weakness in the short term, while prices closing above the EMAs and a sharply rising Stochastic point towards short term firmness in the market. Sugar is expected to trade range-bound with upward bias in the next trading session. 1307-1308 is seen providing good resistance to the prices.

### NCDEX Sugar M Grade-October Contract

Sugar M Grade 0710(NC8GMV7)2007/08/31 - Daily B:1301.00 A:1304.00  
O 1304.00 H 1307.00 L 1300.00 C 1303.00 V 8,290 I 42,750 -3  
EMA(9) 1297.1 (18) 1299.5



### SUPPORT / RESISTANCES

Contract	S2	S1	PCP	R1	R2
NCDEX-Sugar M- October	1284	1293	1303	1322	1337

### TRADE RECOMMENDATION

**Buy** NCDEX - October Sugar M near 1300-1302 with target towards 1307 then second target at 1310. Strict stop loss near 1295. Do not carry forward the position until the next day. Trade cautiously with intraday outlook.

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

Origin/Grade	Center	31.08.07	30.08.07	Change
Ready Sugar (M Grade)	Delhi	1425-1455	1425-1455	0
Ready Sugar (S Grade)	Delhi	1410-1440	1410-1440	0
Mill Delivery	Delhi	1340-1380	1340-1380	0

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

Commodity	Contract Month	Open	High	Low	Last Traded Price	Previous Close	Change
Sugar - Kolhapur	September	1251	1253	1248	1251	1249	+2
	October	1249	1253	1248	1250	1249	+1
	November	1209	1212	1205	1207	1210	-3

### MCX Sugar-Kolhapur Review

Sugar-Kolhapur futures traded volatile with upward bias at MCX. October contract opened firm at Rs. 1249/qtl and traded down marginally to test an intraday low of Rs. 1248/qtl. The prices improved thereafter on improved buying interest at lower levels and the contract tested an intraday high of Rs. 1253/qtl, before settling at Rs. 1250/qtl. Volume traded dipped, while open interest improved as compared to the previous day. MACD is trading flat in the negative zone, while RSI is flat in the neutral region, indicating some indecisiveness in the short and intermediate term. Prices closing above EMAs and rising Stochastic indicate firmness in the short term. Sugar-Kolhapur is expected to trade sideways.

### SUPPORT / RESISTANCES

Contract	S2	S1	PCP	R1	R2
MCX-SUGARSKLP-October	1223	1233	1250	1270	1282

### MCX Sugar-Kolhapur-October Contract

SUGARSKLP 0710(MXSUGV7)2007/08/31 - Daily B:1248.00 A:1251.00  
O 1249.00 H 1253.00 L 1248.00 C 1250.00 V 245 T 21,384 I 43 +1



### TRADE RECOMMENDATION

**Buy** MCX - October Sugar SKLP above 1248 with target towards 1252 then second target at 1256. Stop loss near 1244. Do not carry forward the position until the next day.

### INTERNATIONAL FUTURES QUOTES (as on August 30, 2007)

Contract Month	Open	High	Low	Close	Change
<b>NYBOT Sugar No. 11 Prices (US Cents/lb)</b>					
October 2007	9.42	9.58	9.38	9.54	+0.12
March 2008	9.67	9.81	9.65	9.80	+0.12
May 2008	9.73	9.82	9.69	9.82	+0.10
<b>LIFFE Sugar Prices (US\$/MT)</b>					
August 2007	310.00	318.00	306.60	318.00	+9.50
October 2007	278.90	280.20	277.50	278.70	-0.30
December 2007	281.80	282.30	280.00	281.50	-0.40

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