

## ■ SUGAR

■ August 16, 2007

### SPOT MARKETS

Sugar traded flat at the major spot markets on subdued trading activity. Festive demand is seen emerging from the northern states and Maharashtra on upcoming 'rakshabandhan' and 'ganesh festival'. The carry forward from July quota and the FSQ for August month are weighing down the market. The govt. is not considering any proposal to raise buffer stock of sugar from the current limit of 50 lakh tonnes. However, the govt. is likely to abolish dual support pricing of sugarcane, where centre fixes the statutory minimum price and state govt. of sugarcane growing states fixes the state advisory price. The estimates of a bumper production in the next season and the persistent glut in the domestic and global markets are seen casting a bearish spell on the sugar prices in the medium to long term.

### FUTURES MARKETS (NCDEX)

Sugar futures are trading firm at NCDEX. The most active September contract opened firm at Rs. 1290/qrtl, Rs. 2 above the previous close price of Rs. 1288/qrtl and traded down initially to test an intraday low of Rs. 1289/qrtl. Prices improved on increased buying at lower levels and the contract tested an intraday high of Rs. 1307/qrtl. Later, prices were pushed down and the contract settled at Rs. 1297/qrtl. Volume and open interest of the contract improved, indicating fresh buying.

### PRICE DRIVERS

1. Domestic and global glut
2. FSQ for July-September fixed at 36 L tonnes
3. Mills allowed to carry forward unsold July quota
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
8. Festive demand

### WEATHER IMPACT

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

### TECHNICALS (NCDEX)

MACD has bottomed out, while RSI is rising in the neutral region. Stochastic is about to make a bullish crossover. September Sugar failed to sustain the break above immediate resistance at 1303 and closed at 1297. Sustained close above 1303 can lead to further uptrend in the market. Market is in a slightly bullish posture with prices closing above 9 Day EMA. This indicates short term firmness in the market. However, close below 18 Day EMA is a bearish indication. The intermediate term trend is still bearish.

### NCDEX Sugar M Grade-September Contract

Sugar M Grade 0709(NCSGMU7)2007/08/14 - Daily B:1297.00 A:1298.00  
O:1290.00 H:1307.00 L:1289.00 C:1297.00 V:10,680 I:45,410 +9  
EMA(9) 1296.7 (18) 1305.9



### SUPPORT / RESISTANCES

Contract	S2	S1	PCP	R1	R2
NCDEX-Sugar M- September	1265	1276	1297	1312	1323

### TRADE RECOMMENDATION

**Buy** NCDEX - September Sugar M near 1295-1297 with target towards 1305 then second target at 1307. Strict stop loss near 1290. Do not carry forward the position until the next day. Trade cautiously with intraday outlook.

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

Origin/Grade	Center	14.08.07	13.08.07	Change
Ready Sugar (M Grade)	Delhi	1410-1450	1410-1450	0
Ready Sugar (S Grade)	Delhi	1395-1435	1395-1435	0
Mill Delivery	Delhi	1325-1365	1325-1365	0

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

Commodity	Contract Month	Open	High	Low	Last Traded Price	Previous Close	Change
Sugar - Kolhapur	August	1236	1255	1235	1255	1241	+14
	September	1236	1250	1236	1250	1238	+12
	October	1238	1253	1238	1250	1239	+11

### MCX Sugar-Kolhapur Review

Sugar-Kolhapur contracts traded firm at MCX. The most active October contract opened weak at Rs. 1238/qtl and traded steadily up to test an intraday high of Rs. 1253/qtl before settling at Rs. 1250/qtl. Volume traded was lower, while open interest improved as compared to the previous day. Sugar has been successful in emerging out of the range. Prices closed below the 18 Day EMA, MACD and Stochastic are rising hesitantly, while RSI is rising steeply. Overall, the technicals indicate a bullish market in the short term.

### SUPPORT / RESISTANCES

Contract	S2	S1	PCP	R1	R2
MCX-SUGARSKLP-October	1222	1233	1250	1260	1270

### MCX Sugar-Kolhapur-October Contract



### TRADE RECOMMENDATION

**Buy** MCX - October Sugar SKLP near 1247-1249 with target towards 1257 then second target at 1259. Stop loss near 1242. Do not carry forward the position until the next day.

### INTERNATIONAL FUTURES QUOTES (as on August 13, 2007)

Contract Month	Open	High	Low	Close	Change
<b>NYBOT Sugar No. 11 Prices (US Cents/lb)</b>					
October 2007	9.68	9.68	9.43	9.45	-0.09
March 2008	9.87	9.89	9.74	9.74	-0.10
May 2008	9.95	9.95	9.84	9.84	-0.09
<b>LIFFE Sugar Prices (US\$/MT)</b>					
August 2007	310.00	318.00	306.60	318.00	+9.50
October 2007	281.20	285.40	281.10	281.40	+0.40
December 2007	288.00	291.00	285.80	287.00	0.00

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