

■ SUGAR

■ August 17, 2007

SPOT MARKETS

Sugar traded firm at the spot markets of Delhi, Muzaffarnagar and Kolkata some good demand from retailers and stockists prior to the festive season. Festive demand is seen emerging from North India and Maharashtra on upcoming "rakshabandhan" and "ganesha festival". However, the long term outlook on sugar prices remains depressed due to the huge supplies in leading producers Brazil and India, as well as other Asian countries like Thailand. A hike in crude oil prices could result in an increase in a demand for alternative sources of energy, such as cane-derived ethanol biofuel. This, in turn, could increase the amount of cane allocated to ethanol, instead of sugar, and help underpin sugar prices. Timely intervention of govt. and focus on raw sugar exports, along with mandatory ethanol doping in auto-fuels are seen as measures of respite for the sugar sector.

FUTURES MARKETS (NCDEX)

Sugar futures traded firm at NCDEX. The most active September contract opened at the previous close level of Rs. 1297/qrtl and traded down marginally to test an intraday low of Rs. 1295/qrtl. Prices improved thereafter on improved buying interest to test an intraday high of Rs. 1307/qrtl, before settling at Rs. 1301/qrtl with a marginal improvements in volume traded and open interest of the contract, as compared to the previous day. The August contract traded in the range of Rs. 1287-1316/qrtl.

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)

Sugar is still stuck in the range. A sustained close above 1303 will establish an uptrend. Prices closed above 9 Day EMA. All the technical indicators are rising and MACD and Stochastic have made a bullish crossover. Overall, the technicals indicate a bullish market in the short term. 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)2007/08/16 - Daily B:1300.00 A:1301.00
O 1297.00 H 1307.00 L 1294.00 C 1301.00 V 10,930 146,290 +4
EMA(9) 1297.6 (18) 1304.5



SUPPORT / RESISTANCES

Contract	S2	S1	PCP	R1	R2
NCDEX-Sugar M- September	1265	1276	1301	1312	1325

TRADE RECOMMENDATION

Buy NCDEX - September Sugar M near 1298-1300 with target towards 1306 then second target at 1308. Strict stop loss near 1294. Do not carry forward the position until the next day. Trade cautiously with intraday outlook.

Spot Market Prices (Rs. /qrtl)

Origin/Grade	Center	16.08.07	14.08.07	Change
Ready Sugar (M Grade)	Delhi	1420-1460	1410-1450	+10
Ready Sugar (S Grade)	Delhi	1405-1445	1395-1435	+10
Mill Delivery	Delhi	1335-1375	1325-1365	+10

MCX Futures Prices (Rs. /qtl)

Commodity	Contract Month	Open	High	Low	Last Traded Price	Previous Close	Change
Sugar - Kolhapur	August	1264	1277	1255	1255	1245	+10
	September	1247	1260	1247	1253	1248	+5
	October	1251	1260	1250	1260	1249	+11

MCX Sugar-Kolhapur Review

Sugar-Kolhapur traded bullish at MCX. The most active October contract opened firm at Rs. 1251/qtl and traded up after marginally dipping initially to test an intraday low of Rs. 1250/qtl. The contract traded up thereafter to close at the day's high of Rs. 1260/qtl. Volume traded improved amidst lower open interest as compared to the previous day. Prices closed above the EMAs. MACD, RSI and Stochastic are rising. MACD and Stochastic have made a bullish crossover. Overall, the technicals indicate a bullish market in the short and intermediate term.

SUPPORT / RESISTANCES

Contract	S2	S1	PCP	R1	R2
MCX-SUGARSKLP-October	1228	1238	1260	1270	1282

MCX Sugar-Kolhapur-October Contract



TRADE RECOMMENDATION

Buy MCX - October Sugar SKLP above 1258 with target towards 1264 then second target at 1268. Stop loss near 1254. Do not carry forward the position until the next day.

INTERNATIONAL FUTURES QUOTES (as on August 15, 2007)

Contract Month	Open	High	Low	Close	Change
NYBOT Sugar No. 11 Prices (US Cents/lb)					
October 2007	9.41	9.48	9.40	9.45	-0.01
March 2008	9.70	9.74	9.69	9.70	-0.05
May 2008	9.80	9.80	9.78	9.78	-0.06
LIFFE Sugar Prices (US\$/MT)					
August 2007	310.00	318.00	306.60	318.00	+9.50
October 2007	281.00	282.00	279.30	280.90	-0.60
December 2007	286.50	287.50	284.50	284.70	-2.30

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