

■ SUGAR

■ August 29, 2007

SPOT MARKETS

Sugar spot markets were closed in Delhi and Muzaffarnagar on "rakshabandhan". Sugar prices improved at Kolkata market on improved demand ahead of the festive season. Month end sales from mills are seen weighing down the market. Festive demand is seen emerging from the different states of the country on the upcoming festival season. Govt. is planning to release additional sugar quota for the coming months to meet this higher demand to keep the prices under check. The higher kharif sugarcane acreage as well as the forecasts of a bumper production in the coming season is likely to maintain the prices on the lower side during the next sugar season. Meanwhile, Indian sugar is likely to fail the quality standards prescribed by Pakistan on grounds of suspected elements injurious to health.

FUTURES MARKETS (NCDEX)

Sugar futures traded volatile at NCDEX with an upward bias. The most active October contract opened weak at Rs. 1284/qrtl, Rs. 2 down the previous close of Rs. 1286/qrtl and traded down initially to test a low of Rs. 1278/qrtl. The contract traded sharply up thereafter on increased buying interest at lower levels to test an intraday high of Rs. 1299/qrtl. The prices were pushed down later as more sellers emerged at higher levels and the contract settled at Rs. 1292/qrtl. Volume traded improved, while open interest dipped as compared to the previous day, indicating short covering.

PRICE DRIVERS

1. Domestic and global glut
2. Govt. raised buffer stock by 3 million tonnes
3. Decontrolling of sugar exports
4. Acreage under sugarcane increased to 5.11 million ha
5. Festive demand
6. Carry forward of July unsold quota

WEATHER IMPACT

Normal monsoon and increased acreage points towards higher cane production.

TECHNICALS (NCDEX)

A bullish candle with prices closing below the 18 day EMA is formed in the charts. MACD and Stochastic are flat in the oversold region, indicating some indecision in the market. RSI rising in the neutral region as well as prices closing at par with the 9 day EMA shows short term firmness in the market. A close below the 18 day EMA indicates intermediate term bearishness in the market. Sugar is expected to trade range-bound with upward bias.

NCDEX Sugar M Grade-October Contract



SUPPORT / RESISTANCES

Contract	S2	S1	PCP	R1	R2
NCDEX-Sugar M- October	1252	1268	1292	1306	1316

TRADE RECOMMENDATION

Buy NCDEX - October Sugar M above 1290 with target towards 1297 then second target at 1299. Strict stop loss near 1286. Do not carry forward the position until the next day. Trade cautiously with intraday outlook.

Spot Market Prices (Rs. /qrtl)

Origin/Grade	Center	28.08.07	27.08.07	Change
Ready Sugar (M Grade)	Delhi	Closed	1385-1425	-
Ready Sugar (S Grade)	Delhi	Closed	1370-1410	-
Mill Delivery	Delhi	Closed	1300-1340	-

MCX Futures Prices (Rs. /qtl)

Commodity	Contract Month	Open	High	Low	Last Traded Price	Previous Close	Change
Sugar - Kolhapur	September	1241	1246	1238	1243	1242	+1
	October	1242	1243	1235	1240	1240	0
	November	1221	1221	1213	1216	1221	+5

MCX Sugar-Kolhapur Review

MCX sugar-Kolhapur futures traded weak. The most active October contract opened firm at Rs. 1242/qtl and traded marginally up initially to test an intraday high of Rs. 1243/qtl. Prices slumped thereafter on increased selling activity at higher levels and the contract tested an intraday low of Rs. 1235/qtl, before closing at Rs. 1240/qtl. Volume traded was lower, while open interest improved as compared to the previous day. MACD and RSI are flat and directionless, leaving scope for movement in either direction. Stochastic is falling in oversold region and prices closed below EMAs, indicating short term weakness. Sugar-Kolhapur is expected to trade subdued in the next trading session.

SUPPORT / RESISTANCES

Contract	S2	S1	PCP	R1	R2
MCX-SUGARSKLP-October	1220	1230	1240	1250	1258

MCX Sugar-Kolhapur-October Contract

SUGARSKLP 0710(MXSUGV7)2007/08/28 - Daily B:1238.00 A:1244.00
O:1242.00 H:1243.00 L:1235.00 C:1240.00 V:184 T:21,448 I:40 0
EMA(9) 1244.4 (18) 1249.4



TRADE RECOMMENDATION

Sell MCX - October Sugar SKLP 1240-1242 with target towards 1235 then second target at 1233. Stop loss near 1246. Do not carry forward the position until the next day.

INTERNATIONAL FUTURES QUOTES (as on August 27, 2007)

Contract Month	Open	High	Low	Close	Change
NYBOT Sugar No. 11 Prices (US Cents/lb)					
October 2007	9.45	9.47	9.39	9.46	+0.07
March 2008	9.72	9.75	9.68	9.75	+0.06
May 2008	9.78	9.81	9.78	9.81	+0.07
LIFFE Sugar Prices (US\$/MT)					
August 2007	310.00	318.00	306.60	318.00	+9.50
October 2007	280.00	283.50	278.50	279.00	-2.00
December 2007	284.00	285.60	280.80	282.50	-1.60

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