

■ SUGAR

■ Sept 5, 2007

SPOT MARKETS

Sugar spot prices firmed up at Muzzaffarnagar and Kolkata markets due to good demand from retailers ahead of the festive season amidst restricted supply from mills, while markets were closed in Delhi on "Janmashtami". Festive demand from different states is seen supporting the sugar prices. Meanwhile, Group of Ministers has approved the proposals of financial and debt restructuring package for the sugar mills as well as the mandatory 5% ethanol doping in petrol nationwide. However, the long term outlook on sugar prices tends to remain bearish till 2009, given the domestic and global glut situation. Rising demand for cane derived ethanol biofuel is likely to result in more cane being diverted to ethanol, instead of sugar, thereby underpinning the sugar prices.

FUTURES MARKETS (NCDEX)

Sugar futures traded volatile at NCDEX with a bearish tone. The most active October futures opened weak at Rs. 1308/qrtl, Re. 1 down the previous settlement of Rs. 1309/qrtl and traded up initially to test an intraday high of Rs. 1314/qrtl. Prices slumped thereafter as more sellers are seen emerging at higher levels and the contract tested an intraday low of Rs. 1299/qrtl. Prices were pushed up slightly later on some buying interest at lower levels and the contract settled at Rs. 1303/qrtl. Volume and open interest 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. Financial and debt restructuring package
6. 10% ethanol doping effective October 2008
7. FSQ for September fixed at 13 lakh tonnes
8. Commercial banks instructed to fund sugar sector

WEATHER IMPACT

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

TECHNICALS (NCDEX)

A bearish candle is formed in the charts with some buying initially. Prices closed above the EMAs. MACD is hesitantly emerging from the negative region, while Stochastic is flat in the overbought region, indicating short as well as intermediate term firmness. A downward RSI points towards some weakness in the market. Sugar is likely to trade firm during the next session, with probability of some late downward movement.

NCDEX Sugar M Grade-October Contract

Sugar M Grade 0710(NCSGMV7)2007/09/04 - Daily B:1302.00 A:1305.00
O:1308.00 H:1314.00 L:1299.00 C:1303.00 V:10,130 I:39,530 -6



SUPPORT / RESISTANCES

Contract	S2	S1	PCP	R1	R2
NCDEX-Sugar M- October	1268	1284	1303	1326	1338

TRADE RECOMMENDATION

Buy NCDEX - October Sugar M near 1301-1303 with target towards 1310 then second target at 1313. Strict stop loss near 1296. Do not carry forward the position until the next day. Trade cautiously with intraday outlook.

Spot Market Prices (Rs. /qrtl)

Origin/Grade	Center	04.09.07	03.09.07	Change
Ready Sugar (M Grade)	Delhi	Closed	1435-1465	-
Ready Sugar (S Grade)	Delhi	Closed	1420-1450	-
Mill Delivery	Delhi	Closed	1350-1390	-

MCX Futures Prices (Rs. /qtl)

Commodity	Contract Month	Open	High	Low	Last Traded Price	Previous Close	Change
Sugar - Kolhapur	September	1258	1252	1253	1258	1257	+1
	October	1260	1261	1255	1258	1258	0
	November	1203	1204	1196	1198	1204	-6

MCX Sugar-Kolhapur Review

Sugar-Kolhapur futures traded volatile with bearish tone at MCX. October futures opened firm at 1260, Rs. 2 above the previous settlement of 1258 and traded up marginally to test an intraday high of 1261. The prices slumped thereafter on increased selling at higher levels and the contract tested an intraday low of 1255, before closing at 1258. Volume traded was lower, while open interest improved marginally as compared to the previous day. MACD is flat above the zero line, while RSI is flat in the neutral zone. Stochastic is rising hesitantly into the overbought region, indicating some firmness in the market. Sugar-Kolhapur futures are expected to trade volatile with bullish tone in the next session.

SUPPORT / RESISTANCES

Contract	S2	S1	PCP	R1	R2
MCX-SUGARSKLP-October	1223	1233	1258	1270	1282

MCX Sugar-Kolhapur-October Contract

SUGARSKLP 0710(MXSUGV7)2007/09/04 - Daily B:1257.00 A:1259.00
O 1260.00 H 1261.00 L 1255.00 C 1258.00 V 222 T 21,271 I 57 0
EMA(9) 1250.4 (18) 1250.5



TRADE RECOMMENDATION

Buy MCX - October Sugar SKLP above 1255 with target towards 1261 then second target at 1263. Stop loss near 1251. Do not carry forward the position until the next day.

INTERNATIONAL FUTURES QUOTES (as on August 31, 2007)

Contract Month	Open	High	Low	Close	Change
NYBOT Sugar No. 11 Prices (US Cents/lb)					
October 2007	9.51	9.55	9.42	9.48	-0.06
March 2008	9.78	9.80	9.74	9.78	-0.02
May 2008	9.82	9.82	9.78	9.80	-0.02
LIFFE Sugar Prices (US\$/MT)					
August 2007	310.00	318.00	306.60	318.00	+9.50
October 2007	279.70	280.40	273.90	279.50	+0.80
December 2007	281.40	283.00	277.50	283.00	+1.50

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