

Sept 17, 2007

## SPOT MARKETS

Sugar traded weak in the most of the markets including UP, Delhi and Kolkata on Friday. The prevailing bearish fundamentals in domestic as well as global markets are keeping the prices on the softer side. The market hardly found any respite from the news of government extending the subsidy being given for exports by one year. Current support by the government to mills located along the coast for undertaking exports is Rs 1,350 per tonne, whereas the sugar mills located away from the coasts are being given Rs 1,450 a tonne. Further, adding to the bearish sentiments of the market, the country's two biggest sugar producers Maharashtra and UP have reported 47.7% growth in output to 278.6 lakh tonnes during October-July 2006-07 according to CMIE. Apart from the current glut in supply, the forecasts of increased production in the forthcoming year too are keeping the prices subdued. The sugar output in India for the 2007-08 season is estimated at 33.15 million tones by ISO, leaving a surplus stock of 16.4 million tonnes. Though the country's sugar consumption is also expected to grow to 20 million tonnes by CMIE, but marginal increase in consumption against sharp rise in production will only pile up the domestic stocks, which calls for some concrete action on the part of government to support the industry.

## FUTURES MARKETS (NCDEX)

Sugar futures traded weak Wednesday at NCDEX. The most active November contract opened gap down at Rs. 1229, Rs. 5 down from the previous settlement and then traded in the range of Rs 1222-1229/ctl before finally closing at Rs 1225/ctl. October contract traded in a tight range of Rs 1285-1293/ctl. In November contract volume increased whereas open interest dipped marginally.

## PRICE DRIVERS

1. Government extended export subsidy for one year
2. Domestic and global glut
3. Govt. raised buffer stock by 3 million tonnes
4. Production in Maharashtra is expected rise by 7 %
5. Financial and debt restructuring package
6. 10% ethanol doping effective October 2008
7. Govt. extended export obligation on import of raw sugar

## WEATHER IMPACT

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

## TECHNICALS (NCDEX)

Doji formation of candlestick shows indecision at lower levels. MACD is running flat in the negative region. The prices continue to hold below short term and medium term EMAs, which supports bears. Stochastic is moving down in the neutral region supporting bears. Sugar is likely to trade range bound with weak bias.

### NCDEX Sugar M Grade-November Contract



## SUPPORT / RESISTANCES

Contract	S2	S1	PCP	R1	R2
NCDEX-Sugar M- November	1214	1220	1225	1237	1245

## TRADE RECOMMENDATION

**Sell** NCDEX - November Sugar M below 1230 with target towards 1220. Strict stop loss near 1236. Do not carry forward the position until the next day. Trade cautiously with intraday outlook.

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

Origin/Grade	Center	14.09.07	13.09.07	Change
Ready Sugar (M Grade)	Delhi	1425-1480	1435-1490	-10
Ready Sugar (S Grade)	Delhi	1410-1465	1420-1475	-10
Mill Delivery	Delhi	1340-1395	1350-1405	-10

Sept 17, 2007

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

Commodity	Contract Month	Open	High	Low	Last Traded Price	Previous Close	Change
Sugar - Kolhapur	September	1262	1262	1240	1245	1262	-17
	October	1247	1247	1235	1235	1247	-12
	November	1190	1191	1182	1185	1189	-4

### MCX Sugar-Kolhapur Review

Sugar Kolhapur futures traded weak Friday at MCX. The most active October contract opened steady at Rs. 1247/qtl. Contract then traded down testing a low of Rs 1235/qtl before closing the session at the day's low itself. Volume and Open interest both dipped marginally. Bearish marubozu pattern depicts dominance of bears. Prices closed below the EMAs. MACD is showing decrease in bearish momentum. Both Stochastic and RSI is moving down in the neutral region. Bearish price action is likely.

### SUPPORT / RESISTANCES

Contract	S2	S1	PCP	R1	R2
MCX-SUGARSKLP-October	1220	1227	1235	1246	1250

### MCX Sugar-Kolhapur-October Contract



### TRADE RECOMMENDATION

**Sell** MCX - October Sugar SKLP below 1240 with target towards 1230 then second target at 1227. Stop loss near 1256. Do not carry forward the position until the next day.

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

Contract Month	Open	High	Low	Close	Change
<b>ICE Sugar No. 11 Prices (US Cents/lb)</b>					
October 2007	9.30	9.41	9.25	9.27	-0.02
March 2008	9.67	9.73	9.48	9.54	-0.09
May 2008	9.689	9.75	9.56	9.61	-0.06
<b>LIFFE Sugar Prices (US\$/MT)</b>					
October 2007	263.70	264.80	259.00	259.50	-4.50
December 2007	269.10	270.00	265.90	266.30	-3.20
March 2008	280.00	281.30	277.60	278.20	-2.40

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