

## SUGAR

Sept 19, 2007

### SPOT MARKETS

Sugar traded almost flat at the major spot markets in the country on slack demand amidst restricted supply, maintaining the prices unaltered. Festive demand and reports of delayed crushing in UP are seen supporting the prices of sugar in the short term. However, the long term outlook on sugar prices remains largely bearish, given the glut situation. ISO estimates an Indian sugar production of over 33 million tonnes against a domestic consumption of 20 million tonnes. The govt. is considering the extension of the export subsidies which are due to expire in April 2008 for one year. The incentives include freight reimbursements at a flat rate of Rs. 1350/ton and an additional Rs. 100/ton for mills located away from the coast, which are in line with the WTO rules.

### FUTURES MARKETS (NCDEX)

Sugar futures traded volatile in a narrow range at NCDEX. The benchmark November contract opened firm at Rs. 1234/ctl, Rs. 2 above the previous close of Rs. 1232/ctl, and traded down during the opening session to test an intraday low of Rs. 1231/ctl. The contract improved thereafter on increased buying interest to test an intraday high of Rs. 1239/ctl, before settling at the opening levels of Rs. 1234/ctl. Open interest of the contract dipped marginally amidst very lower volume as compared to the previous session.

### PRICE DRIVERS

1. Domestic and global glut
2. Sugar output expected to touch 28 MMT in 2006-07
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. Export subsidies to be extended for one year

### WEATHER IMPACT

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

### TECHNICALS (NCDEX)

Prices closed above 9 day EMA. MACD is about to make a bullish crossover in the negative zone, while Stochastic has emerged from the oversold region after a bullish crossover. RSI is rising sharply in the neutral region. Sugar is expected to trade firm in the next session, with a short to intermediate term target at 1246. However, a close below the 18-day EMA indicates some weakness in the intermediate term.

### NCDEX Sugar M Grade-November Contract

Sugar M Grade 0711(NCSGMX7)2007/09/18 - Daily B:1236.00 A:1238.00  
O:1234.00 H:1239.00 L:1231.00 C:1236.00 V:2,820 I:55,400 +5  
EMA(9) 1235.9 (18) 1242.5



### SUPPORT / RESISTANCES

Contract	S2	S1	PCP	R1	R2
NCDEX-Sugar M- November	1214	1222	1234	1247	1252

### TRADE RECOMMENDATION

**Buy** NCDEX - November Sugar M above 1234 with target towards 1239 then second target at 1242. Strict stop loss near 1230. Do not carry forward the position until the next day. Trade cautiously with intraday outlook.

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

Origin/Grade	Center	18.09.07	17.09.07	Change
Ready Sugar (M Grade)	Delhi	1425-1470	1425-1470	0
Ready Sugar (S Grade)	Delhi	1410-1455	1410-1455	0
Mill Delivery	Delhi	1340-1385	1340-1385	0

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

Commodity	Contract Month	Open	High	Low	Last Traded Price	Previous Close	Change
Sugar - Kolhapur	September	1251	1279	1250	1255	1252	+3
	October	1249	1253	1245	1249	1247	+2
	November	1182	1185	1177	1180	1180	0

### MCX Sugar-Kolhapur Review

MCX Sugar-Kolhapur futures traded volatile with the benchmark October contract opening firm at Rs. 1249/qtl. The contract traded in a range of Rs. 1245-1253, before closing at the opening level of Rs. 1249/qtl. Volume traded improved marginally, while open interest dipped as compared to the previous settlement. An indecisive candlestick pattern is formed with prices closing below the EMAs. MACD is flat below the zero line, while Stochastic is flat and about to make a crossover. RSI is rising slowly. Overall, sugar Kolhapur futures are likely to open firm and traded volatile with an upward bias during the next session.

### SUPPORT / RESISTANCES

Contract	S2	S1	PCP	R1	R2
MCX-SUGARSKLP-October	1230	1235	1249	1258	1270

### MCX Sugar-Kolhapur-October Contract

SUGARSKLP 0710(MXUGV7)2007/09/18 - Daily B:1248.00 A:1250.00  
O 1249.00 H 1253.00 L 1245.00 C 1249.00 V 101 T 12,611 I 56 +2  
EMA(9) 1247.2 (18) 1248.3



### TRADE RECOMMENDATION

**Buy** MCX - October Sugar SKLP above 1249 with target towards 1253 then second target at 1255. Stop loss near 1246. Do not carry forward the position until the next day.

### INTERNATIONAL FUTURES QUOTES (as on September 17, 2007)

Contract Month	Open	High	Low	Close	Change
<b>NYBOT Sugar No. 11 Prices (US Cents/lb)</b>					
October 2007	9.37	9.44	9.31	9.34	-0.01
March 2008	9.69	9.75	9.59	9.62	-0.07
May 2008	9.75	9.77	9.66	9.68	-0.09
<b>LIFFE Sugar Prices (US\$/MT)</b>					
August 2007	258.50	274.70	257.90	272.50	+13.00
October 2007	271.50	275.70	271.50	273.40	+3.40
December 2007	279.80	282.60	279.80	281.00	+1.70

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