

## ■ SUGAR

■ Sept 6, 2007

### SPOT MARKETS

Sugar spot markets firmed up on improved demand from retailers and stockists ahead of the festive season. The festive demand and govt. move to provide a financial and debt restructuring package for the sugar industry, along with the possible mandating of 5% ethanol doping in petrol are seen supporting the sagging sugar industry. However, the higher estimates of sugar output and poor export prospects are casting a bearish spell on the sugar prices till 2009. Higher demand for cane-derived ethanol in the wake of rising crude oil prices and environment concerns are likely to result in more sugarcane being diverted to ethanol, instead of sugar, thereby underpinning the sugar prices. The price of white sugar fell at LIFFE on speculation that exports from India would rise.

### FUTURES MARKETS (NCDEX)

Sugar futures traded weak at NCDEX. The benchmark October contract opened at the previous settlement level of Rs. 1305/mtl and traded up marginally to test an intraday high of Rs. 1306/mtl. The prices slumped thereafter on improved selling at higher levels to settle at the day's low of Rs. 1297/mtl. Open interest of the contract improved marginally amidst very low volumes traded 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 long bearish candle is formed in the charts. Prices closed below the EMAs. MACD is grazing the zero line, while RSI is falling in the neutral zone. Stochastic has fallen into the neutral region from the overbought zone after making a bearish cross over. Overall, the technicals indicate a weak market in the short term. Sugar is likely to trade weak in the next trading session after opening firm.

### NCDEX Sugar M Grade-October Contract



### SUPPORT / RESISTANCES

Contract	S2	S1	PCP	R1	R2
NCDEX-Sugar M- October	1268	1284	1297	1314	1326

### TRADE RECOMMENDATION

**Sell** NCDEX - October Sugar M below 1300 with target towards 1294 then second target at 1290. Strict stop loss near 1305. Do not carry forward the position until the next day. Trade cautiously with intraday outlook.

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

Origin/Grade	Center	05.09.07	04.09.07	Change
Ready Sugar (M Grade)	Delhi	1435-1485	Closed	-
Ready Sugar (S Grade)	Delhi	1420-1470	Closed	-
Mill Delivery	Delhi	1350-1400	Closed	-

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

Commodity	Contract Month	Open	High	Low	Last Traded Price	Previous Close	Change
Sugar - Kolhapur	September	1257	1258	1255	1255	1259	-4
	October	1258	1258	1250	1252	1259	-7
	November	1199	1199	1197	1198	1198	0

### MCX Sugar-Kolhapur Review

MCX Sugar-Kolhapur futures traded weak, with some buying at lower levels. October contract opened at the previous settlement price of Rs. 1258/qtl and traded sharply down to test an intraday low of Rs. 1250/qtl, before settling at Rs. 1252/qtl. Volume traded as well as open interest improved, indicating short accumulation. MACD has emerged from the negative zone and is flat in the positive region, indicating medium term indecisiveness. RSI is falling in neutral zone, indicating some weakness in the market. Hesitantly rising Stochastic, along with a close above EMAs indicate a bullish posture of the market in the short term. Sugar-Kolhapur is expected to trade weak, after opening firm with some late upward movement.

### SUPPORT / RESISTANCES

Contract	S2	S1	PCP	R1	R2
MCX-SUGARSKLP-October	1223	1233	1252	1270	1282

### MCX Sugar-Kolhapur-October Contract

SUGARSKLP 0T10(MXSUGV7)2007/09/05 - Daily B:1250.00 A:1255.00  
O 1258.00 H 1258.00 L 1250.00 C 1252.00 V 363 T 45,501 I 65 -6  
EMA(9) 1250.7 (18) 1250.6



### TRADE RECOMMENDATION

**Sell** MCX - October Sugar SKLP below 1254 with target towards 1248 then second target at 1244. Stop loss near 1259. Do not carry forward the position until the next day.

### INTERNATIONAL FUTURES QUOTES (as on September 04, 2007)

Contract Month	Open	High	Low	Close	Change
<b>NYBOT Sugar No. 11 Prices (US Cents/lb)</b>					
October 2007	9.51	9.56	9.43	9.45	-0.03
March 2008	9.81	9.82	9.74	9.78	0.00
May 2008	9.80	9.81	9.79	9.81	+0.01
<b>LIFFE Sugar Prices (US\$/MT)</b>					
August 2007	276.90	276.90	273.40	274.40	-1.60
October 2007	278.90	278.90	275.70	276.60	-1.70
December 2007	287.40	287.80	285.10	285.60	-0.90

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