

■ SUGAR

■ Sept 26, 2007

SPOT MARKETS

Domestic sugar markets remained flat on lack-lustre trade amid weak demand. The market is awaiting the govt. approval of the sops intended for the sugar sector. Govt. is considering proposals to allow sugar mills to produce ethanol directly from sugarcane juice and also to double the ethanol blending in petrol to 10% by October 2008. Besides, the subsidies given to sugar exporters are also likely to be extended for one year to liquidate the domestic stocks. These, along with the festive demand, are likely to support the sagging sugar sector in the short term. However, no major uptrend in sugar prices can be expected in the long term, given the glut situation. India is poised to produce 345.2 MMT sugarcane and 33.15 MMT sugar from sugarcane acreage of 51.1 lakh ha in 2007-08.

FUTURES MARKETS (NCDEX)

Sugar futures at NCDEX opened at unchanged level as against previous settlement. Active December contract tested an intraday high of Rs. 1210 at the early hours of trade. The futures traded downwards thereafter on increased selling interest and tested an intraday low of Rs. 1203. The futures recovered back on some buying support at lower price levels and revisited day's high again. Active December contract finished lower by Rs. 1 after trading in the range of Rs. 1203-1210 during Tuesday's trade.

PRICE DRIVERS

1. Domestic and global glut
2. Acreage under sugarcane reported at 51.1 lakh ha, sugarcane production at 345.62 MMT
3. Festive demand
4. Financial and debt restructuring package
5. 10% ethanol doping effective October 2008
6. Export subsidies to be extended for one year
7. Govt. to allow ethanol production from sugarcane

WEATHER IMPACT

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

TECHNICALS (NCDEX)

Candlesticks pattern indicates a steady to weak opening and indecision in the market. Prices closed just above the 9-day EMA, indicating that the short-term trend remains firm. However, the close below the 18-day EMA suggests a bearish setup for medium-term. 14-day RSI is in neutral region, leaving scope for both way movements. Selling on corrective rallies would better pay off in short to medium-term.

NCDEX Sugar M Grade-December Contract

Sugar M Grade 0712(NC8GMZ7)2007/09/25 - Daily B:1203.00 A:1207.00
O 1207.00 H 1210.00 L 1203.00 C 1206.00 V 3,390 I 88,800 -1
EMA(9) 1203.7 (18) 1208.7



SUPPORT / RESISTANCES

Contract	S2	S1	PCP	R1	R2
NCDEX-Sugar M- December	1186	1196	1206	1218	1227

TRADE RECOMMENDATION

Sell NCDEX - December Sugar M near 1210-1212 with target towards 1203 then second target at 1198. Strict stop loss near 1218. Do not carry forward the position until the next day. Trade cautiously with intraday outlook.

Spot Market Prices (Rs. /qtl)

Origin/Grade	Center	25.09.07	24.09.07	Change
Ready Sugar (M Grade)	Delhi	1420-1465	1420-1465	0
Ready Sugar (S Grade)	Delhi	1405-1450	1405-1450	0
Mill Delivery	Delhi	1335-1380	1335-1380	0



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MCX Futures Prices (Rs. /qtl)

Commodity	Contract Month	Open	High	Low	Last Traded Price	Previous Close	Change
Sugar - Kolhapur	October	1247	1249	1242	1244	1251	-7
	November	1182	1185	1178	1184	1182	+2
	December	1174	1177	1171	1173	1173	0

INTERNATIONAL FUTURES QUOTES (as on September 24, 2007)

Contract Month	Open	High	Low	Close	Change
NYBOT Sugar No. 11 Prices (US Cents/lb)					
October 2007	9.79	9.95	9.79	9.88	+0.09
March 2008	10.08	10.21	10.05	10.14	+0.06
May 2008	10.14	10.23	10.08	10.18	+0.06
LIFFE Sugar Prices (US\$/MT)					
August 2007	258.50	274.70	257.90	272.50	+13.00
October 2007	280.80	283.50	278.00	281.50	+3.00
December 2007	286.70	290.50	286.50	288.50	+1.00

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