



## ■ SUGAR

■ October 22, 2007

### SPOT MARKETS

Sugar spot markets traded mostly flat at the benchmark centres on poor offtake amidst restricted arrivals. While the govt. sops have lost their sheen, festive demand is likely to prop up the markets till Diwali. However, sugar prices are not likely to show any significant advances till 2009, given the huge supplies in the domestic and international prices. Rising crude oil prices may result in higher demand for cane-derived ethanol, thereby underpinning sugar prices. The ethanol policy is seen as a boon by the sugar industry which will result in a reduction in surplus stocks by 2 MMT. However, a more flexible blending policy would prove ideal as India is not geared to implement 10% ethanol blending in such a short time.

### FUTURES MARKETS (NCDEX)

Sugar futures traded range-bound with a firm tone at NCDEX. The most active December contract opened weak at Rs. 1225/qrtl, Rs. 4 down the previous settlement and traded down initially to test an intraday low of Rs. 1223/qrtl. Prices improved thereafter on some buying support and the contract tested an intraday high of Rs. 1230/qrtl. Prices were pushed down slightly by selling pressure and the contract finished at Rs. 1227/qrtl. Open interest improved amidst lower volumes traded as compared to the previous session.

### PRICE DRIVERS

1. Domestic and global glut
2. Acreage under sugarcane reported at 51.1 lakh ha
3. Sugarcane production at 345.62 MMT
4. Festive demand
5. 4.2 MMT of FSQ for the quarter Oct-Dec 07
6. 10% ethanol doping effective October 2008
7. Export subsidies extended for one year
8. Govt. sanctioned sops for sugar industry

### WEATHER IMPACT

Late season rain in north and south India helps the growth of developing sugarcane.

### TECHNICALS (NCDEX)

Sugar futures continue to remain trapped in the trading range and a breakout with good volumes is needed to establish a trend. Prices remain above the short term EMAs, suggesting a firm market. MACD has flattened out at zero level, leaving scope for movement in either direction, while RSI and Stochastic are falling in the neutral region, suggesting further downtrend in place. Sugar futures are likely to trade in the range with a weak tone in the next session. It is ideally recommended to confirm trend before initiating positions.

### NCDEX Sugar M Grade-December Contract

Sugar M Grade 0712(NCSGMZ7)2007/10/20 - Daily B:1226.00 A:1228.00  
O 1225.00 H 1230.00 L 1223.00 C 1227.00 V 2,410 181,710 -1



### SUPPORT / RESISTANCES

Contract	S2	S1	PCP	R1	R2
NCDEX-Sugar M- December	1196	1205	1227	1234	1245

### TRADE RECOMMENDATION

**Sell** NCDEX - December Sugar M below 1227-1229 with target towards 1223 then second target at 1221. Strict stop loss near 1231. Do not carry forward the position until the next day.

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

Origin/Grade	Center	20.10.07	19.10.07	Change
Ready Sugar (M Grade)	Delhi	1455-1500	1455-1500	0
Ready Sugar (S Grade)	Delhi	1440-1485	1440-1485	0
Mill Delivery	Delhi	1370-1415	1370-1415	0

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

Commodity	Contract Month	Open	High	Low	Last Traded Price	Previous Close	Change
Sugar - Kolhapur	November	1222	1231	1216	1227	1231	-4
	December	1208	1214	1199	1209	1207	+2
	January	1239	1239	1193	1206	1203	0

### MCX Sugar-Kolhapur Review

MCX Sugar-Kolhapur traded firm on short covering. The November contract opened weak at Rs. 1222/qtl and traded down initially to test an intraday low of Rs. 1218/qtl. Prices surged thereafter on good buying support and the contract tested an intraday high of Rs. 1231/qtl. Prices dipped slightly on some selling pressure and the contract settled at Rs. 1227/qtl. Open interest dipped, while volumes surged, suggesting short liquidation. Prices remain above the EMAs, supporting bullish trend. MACD is rising hesitantly into the positive territory, indicating medium term firmness in the market. Stochastic is flat, leaving room for movement in either direction, while RSI is dipping in the neutral region, supporting downtrend. Sugar-Kolhapur futures are likely to trade firm in the next session.

### SUPPORT / RESISTANCES

Contract	S2	S1	PCP	R1	R2
MCX-SUGARSKLP-November	1187	1194	1227	1239	1250

### MCX Sugar-Kolhapur-November Contract



### TRADE RECOMMENDATION

**Buy** MCX-November Sugar SKLP above 1225 with target towards 1231 then second target at 1233. Stop loss near 1222. Do not carry forward the position until the next day.

### INTERNATIONAL FUTURES QUOTES (as on October 19, 2007)

Contract Month	Open	High	Low	Close	Change
ICE Sugar No. 11 Prices (US Cents/lb)					
March 2008	10.18	10.24	10.14	10.21	+0.12
May 2008	10.18	10.23	10.15	10.21	+0.12
July 2008	10.14	10.16	10.11	10.14	+0.09
LIFFE Sugar Prices (US\$/MT)					
December 2007	274.00	277.90	274.00	275.60	+2.40
March 2008	284.00	286.80	284.00	285.30	+2.70
May 2008	289.10	290.20	288.20	289.20	+2.80

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