

SPOT MARKETS

Spot sugar traded mostly steady at the benchmark centres on improved demand from retailers and stockists covering ahead of Diwali amidst ample supplies from mills following the additional 1.45 lakh tonnes released under FSQ. The govt. sops have lost their sheen, while market is getting short term support from the festive season demand. However, no major upside can be expected in sugar prices, given the additional quantity of sugar released for sale in the open market. The sugar prices are likely to remain subdued in the long term as well on account of the huge supplies that is weighing down the domestic as well as global markets. ISO predicts a drop in India's sugar output in the next season due to tight profit margins for the sugar industry brought on by rising cane prices.

FUTURES MARKETS (NCDEX)

Sugar futures traded firm at NCDEX, emerging from the recent trading range. The most active December contract opened steady at Rs. 1230/mt and after an initial marginal dip to test an intraday low of Rs. 1229/mt, prices improved on good buying support to test an intraday high of Rs. 1240/mt, before settling marginally lower at Rs. 1238/mt. Open interest dipped amidst larger volumes traded as compared to the previous day on account of short covering.

PRICE DRIVERS

1. Domestic and global glut
2. Acreage under sugarcane at 51.1 lakh ha; sugarcane production at 345.62 MMT
3. Sugar output estimated at around 30 MMT
4. Festive demand
5. 4.2 MMT of FSQ for the quarter Oct-Dec 07; additional 1.45 lakh tonnes under FSQ
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 closed above the trading range to establish an uptrend. A bullish marubozu is formed in the charts with prices closing above the short term EMAs, suggesting a firm market. MACD is rising in the positive territory, while RSI is ascending into the oversold region, supporting further uptrend. Stochastic is falling in the neutral region, indicating sluggishness. Sugar futures are likely to trade firm in the next session with some late downward movement. A good resistance is seen emerging at 1245 level.

NCDEX Sugar M Grade-December Contract

Sugar M Grade 0712(NCDEXM27)20071025 - Daily B:1237.00 A:1239.00
O:1230.00 H:1240.00 L:1229.00 C:1238.00 V:12,880 I:77,800 +8
EMA(5):1228.6 (10):1225.4



SUPPORT / RESISTANCES

Contract	S2	S1	PCP	R1	R2
NCDEX-Sugar M- December	1205	1223	1238	1255	1265

TRADE RECOMMENDATION

Buy NCDEX - December Sugar M above 1236-1238 with target towards 1245 then second target at 1247. Strict stop loss near 1232. Do not carry forward the position until the next day.

Spot Market Prices (Rs. /qtl)

Origin/Grade	Center	25.10.07	24.10.07	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

■ SUGAR

■ October 26, 2007

MCX Futures Prices (Rs. /qtl)

Commodity	Contract Month	Open	High	Low	Last Traded Price	Previous Close	Change
Sugar - Kolhapur	November	1229	1236	1226	1234	1229	+5
	December	1210	1219	1207	1215	1210	+5
	January	1210	1217	1208	1216	1210	+6

MCX Sugar-Kolhapur Review

MCX sugar-Kolhapur futures traded firm. The most active November contract opened steady at Rs. 1229/qtl and after trading down to test an intraday low of Rs. 1226/qtl, the prices improved on good buying support to test an intraday high of Rs. 1236/qtl. The contract settled slightly down at Rs. 1234/qtl. Open interest dipped, while volume improved marginally as compared to the previous day. Prices remain above the EMAs, supporting a firm market. RSI and Stochastic are rising into the overbought region, while MACD is rising in the positive territory. Sugar-Kolhapur is likely to trade firm in the next session with some late downward movement. The overbought nature of the market increases the possibility of a technical correction. Hence trade with caution.

SUPPORT / RESISTANCES

Contract	S2	S1	PCP	R1	R2
MCX-SUGARSKLP-November	1178	1191	1234	1237	1247

MCX Sugar-Kolhapur-November Contract



TRADE RECOMMENDATION

Buy MCX-November Sugar SKLP above 1232 with target towards 1237 then second target at 1239. Stop loss near 1229. Do not carry forward the position until the next day.

INTERNATIONAL FUTURES QUOTES (as on October 24, 2007)

Contract Month	Open	High	Low	Close	Change
ICE Sugar No. 11 Prices (US Cents/lb)					
March 2008	10.16	10.26	10.13	10.14	-0.03
May 2008	10.18	10.26	10.15	10.15	-0.06
July 2008	10.13	10.16	10.08	10.08	-0.06
LIFFE Sugar Prices (US\$/MT)					
December 2007	279.00	281.20	277.40	279.30	+1.30
March 2008	286.30	287.70	285.10	286.50	-0.10
May 2008	291.00	291.50	289.80	290.40	+0.20

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