

## ■ SUGAR

■ October 20, 2007

### SPOT MARKETS

Sugar spot markets traded mostly flat at the benchmark centres on poor offtake amidst restricted arrivals. The govt. sops have lost their sheen and fail to enthuse the market anymore, while festive demand is likely to be sustained till Diwali. Meanwhile, the industry is optimistic about the ethanol policy. Estimates put the requirement of ethanol for 10% blending at 1100 million litres and for 5% at 550 million litres. Also, a rise in oil prices and the consequent boost in demand for ethanol are likely to support world sugar prices and help exports. However, sugar prices are expected to remain under downward pressure during most of the 2007-08 season on bumper supplies both in domestic and international markets.

### FUTURES MARKETS (NCDEX)

NCDEX sugar futures traded volatile in the range with a weak tone. The most active December contract opened weak at Rs. 1229/qrtl, Re. 1 down the previous settlement and traded up initially to test an intraday high of Rs. 1231/qrtl. Active selling pressurized the markets and the contract slipped to test an intraday low of Rs. 1224/qrtl. Contract improved thereafter on some buying support and the contract settled at Rs. 1228/qrtl. Volume traded and open interest dipped as compared to the previous day.

### 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 failed to emerge from the recent trading range. Candlestick pattern shows indecision in the market, while a close above the short term EMAs indicate a firm market. MACD has flattened out at the zero level, leaving scope for movement in either direction, while a falling Stochastic suggests downward pressure in the market. RSI is moving with an upward bias, favouring bulls. Sugar futures are likely to trade sideways with a weak tone in the next trading session. It is ideally recommended to confirm the trend before initiating positions.

### NCDEX Sugar M Grade-December Contract

Sugar M Grade U/12(NC/SGM/Z/7)2007/10/19 - Daily B:1228.00 A:1229.00  
O 1229.00 H 1231.00 L 1224.00 C 1228.00 V 4,800 I 81,880 -2

EMA(9) 1224.8 (18) 1222.1



### SUPPORT / RESISTANCES

Contract	S2	S1	PCP	R1	R2
NCDEX-Sugar M- December	1196	1205	1228	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	19.10.07	18.10.07	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	October	1314	1314	1290	1300	1335	-5
	November	1227	1237	1226	1230	1227	+3
	December	1204	1209	1204	1209	1206	+3

### MCX Sugar-Kolhapur Review

MCX sugar-Kolhapur futures traded firm. The most active November contract opened steady at Rs. 1227/qtl and traded down marginally in the opening session to test an intraday low of Rs. 1226/qtl. Prices improved thereafter on good buying support and the contract tested an intraday high of Rs. 1237/qtl. The contract closed lower at Rs. 1230/qtl as traders locked profits at higher levels. Open interest surged amid lower volumes traded as compared to the previous day. Prices remain above the EMAs, suggesting firm market, so do a rising MACD and RSI. Stochastic is also rising in the neutral region, supporting further uptrend in the prices. Sugar-Kolhapur futures are likely to trade firm in the next session with some late downward movement.

### SUPPORT / RESISTANCES

Contract	S2	S1	PCP	R1	R2
MCX-SUGARSKLP-November	1187	1194	1230	1239	1250

### MCX Sugar-Kolhapur-November Contract



### TRADE RECOMMENDATION

**Buy** MCX-November Sugar SKLP above 1228 with target towards 1233 then second target at 1235. Stop loss near 1225. Do not carry forward the position until the next day.

### INTERNATIONAL FUTURES QUOTES (as on October 18, 2007)

Contract Month	Open	High	Low	Close	Change
ICE Sugar No. 11 Prices (US Cents/lb)					
March 2008	10.00	10.16	10.00	10.09	-0.04
May 2008	10.04	10.14	10.04	10.09	-0.03
July 2008	10.08	10.13	10.05	10.05	0.00
LIFFE Sugar Prices (US\$/MT)					
December 2007	274.40	278.90	272.90	273.20	-1.20
March 2008	283.80	288.50	282.10	282.60	-1.40
May 2008	286.60	291.10	286.10	286.40	-1.70

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