

## ■ SUGAR

■ Dec 19, 2007

### SPOT MARKETS

Ample supplies in the market from mills trying to offload their monthly quota amid a fall in demand have resulted in weak prices in the cash market. Most sugar mills have started operating in full swing, which has increased supplies. The delay in harvesting is likely to result in lower sugar output than expected. However, India's carry overs stocks are likely to swell to 17 MMT by the end of the current marketing year in September. Though efforts are made to boost sugar exports through incentives to millers, the global glut is seen preventing any large-scale orders. India is likely to double its sugar exports to 3 MMT in the current season, but this will not help to wipe off the surplus. Hence, no major advances in sugar prices can be expected till 2009, given the huge supplies accumulated in the two seasons of bumper production.

### FUTURES MARKETS (NCDEX)

NCDEX sugar futures traded volatile to end at opening levels. The most active January contract opened steady at Rs. 1300 and traded steadily down in the opening session to test a low of Rs. 1288. The contract recovered later on good buying support to test a high of Rs. 1305, before ending steady at Rs. 1300. Open interest and volume dipped as compared to the previous day.

### PRICE DRIVERS

1. Domestic and global glut
2. Sugar output estimated at around 30 MMT
3. 4.2 MMT of FSQ for the quarter Oct-Dec 07
4. Several sops for sugar industry
5. Soaring crude oil prices resulting in diversion of more cane to ethanol
6. Diversion of more sugarcane to gur industry
7. Crushing begun in UP and Maharashtra

### WEATHER IMPACT

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

### TECHNICALS (NCDEX)

Sugar charts display a range-bound trade and a break out will result in a trend. Candlestick formation as well as flat RSI in the neutral region suggests an indecisive market. However, close above the short term EMAs, and an upward bound Stochastic in the neutral region support further uptrend. MACD is declining in the positive territory, indicating decreasing bullishness of the market. Sugar futures are likely to trade range-bound with firm tone in the next session.

#### NCDEX Sugar M Grade-January Contract

Sugar M Grade 0801(NCSEGMFB)2007/12/18 - Daily B:1299.00 A:1301.00  
O:1300.00 H:1305.00 L:1288.00 C:1300.00 V:5,440 | 65,280 +2  
EMA(9):1287.3 (18):1294.0



### SUPPORT / RESISTANCES

Contract	S2	S1	PCP	R1	R2
NCDEX-Sugar M- January	1274	1281	1300	1310	1317

### TRADE RECOMMENDATION

**Buy** NCDEX - January Sugar M below 1298-1300 with target towards 1304 then second target at 1306. Strict stop loss near 1296. Do not carry forward the position until the next day.

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

Origin/Grade	Center	18.12.07	17.12.07	Change
Ready Sugar (M Grade)	Delhi	1425-1440	1425-1440	0
Ready Sugar (S Grade)	Delhi	1410-1425	1410-1425	0
Mill Delivery	Delhi	1340-1355	1340-1355	0

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

Commodity	Contract Month	Open	High	Low	Last Traded Price	Previous Close	Change
Sugar - Kolhapur	December	1281	1281	1281	1281	1238	+43
	January	1248	1248	1230	1233	1245	-12
	February	1236	1236	1220	1233	1236	-3

### MCX Sugar-Kolhapur Review

MCX sugar-Kolhapur traded weak. The most active January contract opened Rs. 3 firm at Rs. 1248 and traded steadily down to test a low of Rs. 1230, before closing 0.96% weak at Rs. 1233. Open interest remained steady, while volume traded improved as compared to the previous session. Candlestick pattern and close below the short term EMAs suggest near-term weakness in the market. The downward bound RSI and Stochastic in the neutral region, supporting weakness. MACD is declining in the positive territory, indicating decreasing bullishness in the market. Sugar-Kolhapur futures are likely to trade weak in the next session, with chances of some recovery towards the close.

### SUPPORT / RESISTANCES

Contract	S2	S1	PCP	R1	R2
MCX-SUGARSKLP-January	1209	1214	1233	1260	1270

### MCX Sugar-Kolhapur-January Contract

SUGARSKLP 0601(MX)SUGF8(2007/12/18) - Dsk: B:1227.00 A:1258.00  
O:1248.00 H:1248.00 L:1230.00 C:1233.00 V:18 T:2,25 I:11 -12  
EMA(9):1248.3 (18):1244.0



### TRADE RECOMMENDATION

**Sell** MCX-January Sugar SKLP above 1231-1233 with target towards 1226 then second target at 1224. Stop loss near 1236. Do not carry forward the position until the next day.

### INTERNATIONAL FUTURES QUOTES (as on December 17, 2007)

Contract Month	Open	High	Low	Close	Change
<b>ICE Sugar No. 11 Prices (US Cents/lb)</b>					
March 2008	10.57	10.79	10.55	10.76	+0.28
May 2008	10.71	11.00	10.71	10.96	+0.27
July 2008	10.82	11.02	10.82	10.99	+0.25
<b>LIFFE Sugar Prices (US\$/MT)</b>					
March 2008	302.80	307.30	302.80	307.20	+8.20
May 2008	305.40	309.30	305.40	309.30	+4.30
August 2008	307.50	310.60	307.50	310.50	+3.50

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