

## ■ SUGAR

■ Dec 21, 2007

### SPOT MARKETS

Sugar prices remained steady at the spot markets across the country on inactivity. All the market reported weak demand, while ample supplies weighed down the market. Moreover, mills are actively liquidating their monthly quota as well as their stocks before crushing is in its zenith. The long term outlook remains largely bearish on account of the glut situation, which is seen limiting the exports also. However, the delay in crushing has resulted in lower sugar recovery as well as diversion of more cane to gur industry, which in turn is likely to result in lower than expected sugar output. Meanwhile, Allahabad High Court quashed UP govt.'s state advised price of sugarcane for the current season and recommended the constitution of a committee to calculate sugarcane prices afresh. The HC asked the state govt. not to take coercive action against mills which have pending cane arrears from the previous season.

### FUTURES MARKETS (NCDEX)

NCDEX sugar futures traded volatile to finally end in the positive zone. The most active January contract opened steady at Rs. 1296 and moved southwards to touch the day's low of 1286 on active selling. Later the contract moved up from its lows and tested the day's high of 1307 before closing at 1298, up 0.15%. Open interest declined amid supporting volumes, suggesting short liquidation.

### PRICE DRIVERS

1. Domestic and global glut
2. Sugar output estimated at around 30 MMT
3. Several sops for sugar industry
4. Soaring crude oil prices resulting in diversion of more cane to ethanol
5. Diversion of more sugarcane to gur industry
6. 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 futures continue to remain trapped in the current trading range and a breakout with supporting volumes is needed to establish a trend. Candlestick formation as well as flat RSI in the neutral region suggests indecision in the market. Prices closed marginally above the short term EMAs, suggesting slight firmness in the market. However, a southward bound Stochastic in the neutral region suggest further downtrend in place, while a falling MACD in the positive territory indicate decreasing bullishness in the market. Sugar futures are likely to trade volatile with weak tone in the next session.

### NCDEX Sugar M Grade-January Contract

Sugar M Grade 0801(NCSGMF8)2007/12/20 - Daily B:1297.00 A:1300.00  
O 1296.00 H 1309.00 L 1289.00 C 1298.00 V 25,570 I 66,450 +1  
EMA(9) 1296.9 (18) 1294.2



### SUPPORT / RESISTANCES

| Contract                  | S2   | S1   | PCP  | R1   | R2   |
|---------------------------|------|------|------|------|------|
| NCDEX-Sugar<br>M- January | 1274 | 1281 | 1298 | 1310 | 1317 |

### TRADE RECOMMENDATION

**Sell** NCDEX - January Sugar M above 1298-1300 with target towards 1294 then second target at 1292. Strict stop loss near 1302. Do not carry forward the position until the next day.

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

| Origin/Grade          | Center | 20.12.07  | 19.12.07  | Change |
|-----------------------|--------|-----------|-----------|--------|
| Ready Sugar (M Grade) | Delhi  | 1400-1415 | 1400-1415 | 0      |
| Ready Sugar (S Grade) | Delhi  | 1385-1400 | 1385-1400 | 0      |
| Mill Delivery         | Delhi  | 1315-1330 | 1315-1330 | 0      |

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

| Commodity        | Contract Month | Open | High | Low  | Last Traded Price | Previous Close | Change |
|------------------|----------------|------|------|------|-------------------|----------------|--------|
| Sugar - Kolhapur | December       | 1298 | 1314 | 1271 | 1285              | 1276           | +9     |
|                  | January        | 1244 | 1244 | 1240 | 1240              | 1248           | -8     |
|                  | February       | 1220 | 1220 | 1215 | 1215              | 1228           | -13    |

### MCX Sugar-Kolhapur Review

MCX sugar-Kolhapur traded weak in a thin range amidst very low volume and steady open interest. The January contract opened Rs. 4 weak at Rs. 1244 and traded down to settle at the day's low of Rs. 1240. The open interest remained steady. Prices closed below the short term EMAs, suggesting weakness; as does a downward Stochastic in the neutral region. RSI is flat and inconclusive in the neutral region, while MACD is falling in the neutral region, suggesting declining bullish nature of the market. Sugar-Kolhapur futures are likely to trade range-bound to weak in the next session.

### MCX Sugar-Kolhapur-January Contract

SUGARSKLP 0801(MXSUGF8)2007/12/20 - Daily B:1234.00 A:1270.00  
O 1244.00 H 1244.00 L 1240.00 C 1240.00 V 2 T 248 I 11 -8  
EMA(9) 1247.4 (18) 1245.0



### TRADE RECOMMENDATION

**Sell** MCX-January Sugar SKLP above 1238-1240 with target towards 1244 then second target at 1246. Stop loss near 1236. Do not carry forward the position until the next day.

### SUPPORT / RESISTANCES

| Contract              | S2   | S1   | PCP  | R1   | R2   |
|-----------------------|------|------|------|------|------|
| MCX-SUGARSKLP-January | 1214 | 1227 | 1240 | 1260 | 1270 |

### INTERNATIONAL FUTURES QUOTES (as on December 20, 2007)

| Contract Month                        | Open   | High   | Low    | Close  | Change |
|---------------------------------------|--------|--------|--------|--------|--------|
| ICE Sugar No. 11 Prices (US Cents/lb) |        |        |        |        |        |
| March 2008                            | 10.57  | 10.80  | 10.56  | 10.74  | +0.10  |
| May 2008                              | 10.87  | 11.06  | 10.83  | 10.99  | +0.10  |
| July 2008                             | 10.90  | 11.08  | 10.90  | 11.01  | +0.06  |
| LIFFE Sugar Prices (US\$/MT)          |        |        |        |        |        |
| March 2008                            | 305.90 | 309.00 | 305.00 | 309.00 | +2.50  |
| May 2008                              | 308.70 | 312.50 | 308.10 | 312.40 | +3.00  |
| August 2008                           | 308.80 | 313.00 | 308.70 | 313.00 | +3.00  |

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