

## ■ SUGAR

■ Dec 28, 2007

### SPOT MARKETS

Spot sugar remained unchanged at the major markets across the country on lack of activity. Weak demand amidst ample supply from mills trying to offload their monthly quota maintained the prices steady at the lower levels. The govt.'s move to extend the sugar export subsidy for sugar mills for another year has cheered up the market. This is aimed at liquidating the excess stocks. Meanwhile, Fiji nation will be importing 25,000 tonnes of sugar to bridge the shortfall in its domestic production, which is seen as an opportunity to ease India's glut situation. The lower production was due to a drought in the sugarcane belt. India's sugar output estimates have been lowered to the previous season's level of 28 MMT due to delay in crushing in UP and bad weather. This is also seen supporting the market in the short term. However, no major respite is seen till 2009, given the huge stocks accumulated.

### FUTURES MARKETS (NCDEX)

NCDEX Sugar futures traded volatile to close in the positive zone. The most active January contract opened steady at Rs 1335/qrt and touched the day's low of 1331 on active selling. Later the contract moved upwards to test the day's high of 1347 on intense buying at lower levels, before closing at 1341, up 0.45%. Open Interest and volumes increased as compared to the previous close, indicating long accumulation.

### PRICE DRIVERS

1. Domestic and global glut
2. Sugar output estimated at around 28 MMT
3. Several sops for sugar industry
4. Soaring crude oil prices
5. Diversion of more sugarcane to gur industry
6. Crushing begun in UP and Maharashtra

### WEATHER IMPACT

Late season rains will mostly favor sugarcane development in South India, but excessive rainfall in the far south is unfavorable.

### TECHNICALS (NCDEX)

Sugar charts display range-bound to slightly upward trading. Candlestick pattern suggests active participation of bulls and bears, resulting in an indecisive market. Close above the short term EMAs suggest near-term firmness in the market. A rising RSI in the overbought zone also support the uptrend. MACD is flat in the positive territory, favouring bulls, while Stochastic is flat and inconclusive in the neutral region. Sugar futures are likely to see some volatile trade in the next session with bullish tone. However, caution is advised as presence of oscillators in the overbought region calls for a technical correction.

#### NCDEX Sugar M Grade-January Contract

Sugar M Grade 0001 (NCSGMEF072007/12/27) - Daily B: 1341.00 A: 1342.00  
O: 1335.00 H: 1347.00 L: 1331.00 C: 1341.00 V: 12,700 I: 51,620 +5  
EMA(9): 1325.2 (18): 1314.1



### SUPPORT / RESISTANCES

Contract	S2	S1	PCP	R1	R2
NCDEX-Sugar M- January	1314	1324	1341	1347	1368

### TRADE RECOMMENDATION

**Buy** NCDEX - January Sugar M below 1339-1341 with target towards 1345 then second target at 1347. Strict stop loss near 1337. Do not carry forward the position until the next day.

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

Origin/Grade	Center	27.12.07	26.12.07	Change
Ready Sugar (M Grade)	Delhi	1410-1420	1410-1420	0
Ready Sugar (S Grade)	Delhi	1395-1435	1395-1435	0
Mill Delivery	Delhi	1325-1340	1325-1340	0

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

Commodity	Contract Month	Open	High	Low	Last Traded Price	Previous Close	Change
Sugar - Kolhapur	January	1271	1312	1270	1295	1279	+16
	February	1258	1280	1258	1275	1269	+6
	March				1240	1248	-8

### MCX Sugar-Kolhapur Review

MCX Sugar-Kolhapur contract traded firm. The most active January contract opened at Rs. 1271 and after a marginal decline to test a low of Rs. 1270, traded steadily up to touch the day's high of 1312 on active buying at lower levels before closing at Rs. 1285, 0.47% firm. Open interest remained unchanged amidst larger volumes traded. Close above the EMAs, suggests near-term firmness in the market; as does an upward bound Stochastic. RSI and MACD is flat in the positive territory, leaving room for movement in either direction, but the bearish crossover made by MACD suggests the underlying bearishness in the market. Sugar-Kolhapur futures are likely to trade range-bound to firm in the next session.



### SUPPORT / RESISTANCES

Contract	S2	S1	PCP	R1	R2
MCX-SUGARSKLP-January	1230	1248	1285	1312	1322

### TRADE RECOMMENDATION

**Buy** MCX-January Sugar SKLP near 1285 with target towards 1289 then second target at 1292. Stop loss near 1283. Do not carry forward the position until the next day.

### INTERNATIONAL FUTURES QUOTES (as on December 26, 2007)

Contract Month	Open	High	Low	Close	Change
<b>ICE Sugar No. 11 Prices (US Cents/lb)</b>					
March 2008	11.06	11.19	10.90	10.90	+0.15
May 2008	11.35	11.36	11.18	11.18	+0.13
July 2008	11.44	11.50	11.32	11.32	+0.08
<b>LIFFE Sugar Prices (US\$/MT)</b>					
March 2008	318.60	320.50	315.10	315.10	-2.40
May 2008	321.80	323.50	318.60	318.60	-2.40
August 2008	324.70	324.70	320.40	320.40	-2.10

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