

## ■ SUGAR

■ Dec 24, 2007

### SPOT MARKETS

Sugar traded firm at the major markets across the country on good demand amidst normal supplies from the mills. The Centre's move on extending the sugar export subsidy by another year till April 2009 to help the industry liquidate surplus stocks has uplifted the market sentiments. A global glut has slashed sugar prices by 12% in the past year, making it the worst performing agricultural commodity. World output is expected to exceed demand by 11.1 MMT this year, led by a record output in India. However, the delay in crushing in UP as well as lowering of yields on bad weather has resulted in lowering the sugar output forecasts to the previous season's levels of around 28 MMT. This is likely to support the market slightly. However, no major respite is seen till 2009, given the huge supplies accumulated.

### FUTURES MARKETS (NCDEX)

NCDEX sugar futures traded volatile to close in the negative zone. The most active January contract opened steady at 1336 and moved up steadily to touch the day's high of 1347 on active buying at lower levels. Later the contract moved southwards to test the day's low of 1327 before closing at 1332, down 0.30%. Open interest and volume declined as compared to previous day.

### 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)

Candlestick pattern suggests indecision in the market. The flat RSI in the neutral region also supports an indecisive market. Close above the short term EMAs as well as rising Stochastic in the neutral region suggest uptrend. MACD is steadily declining in the positive territory which indicates decreasing bullish momentum in the market. Sugar futures are likely to trade range-bound to firm in the next session.

### NCDEX Sugar M Grade-January Contract

Sugar M Grade 0601(NCSEMF8)2007/12/22 - Daily B: 1330.00 A: 1332.00  
O: 1336.00 H: 1347.00 L: 1327.00 C: 1332.00 V: 19,360 154,550 -1  
EMA(9): 1310.0 (18): 1302.3



### SUPPORT / RESISTANCES

| Contract               | S2   | S1   | PCP  | R1   | R2   |
|------------------------|------|------|------|------|------|
| NCDEX-Sugar M- January | 1295 | 1311 | 1332 | 1345 | 1368 |

### TRADE RECOMMENDATION

**Buy** NCDEX - January Sugar M below 1330-1332 with target towards 1336 then second target at 1338. Strict stop loss near 1328. Do not carry forward the position until the next day.

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

| Origin/Grade          | Center | 22.12.07  | 21.12.07  | Change |
|-----------------------|--------|-----------|-----------|--------|
| Ready Sugar (M Grade) | Delhi  | 1425-1440 | 1400-1415 | +25    |
| Ready Sugar (S Grade) | Delhi  | 1410-1425 | 1385-1400 | +25    |
| Mill Delivery         | Delhi  | 1340-1355 | 1315-1330 | +25    |

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

| Commodity        | Contract Month | Open | High | Low  | Last Traded Price | Previous Close | Change |
|------------------|----------------|------|------|------|-------------------|----------------|--------|
| Sugar - Kolhapur | January        | 1261 | 1277 | 1261 | 1267              | 1261           | +6     |
|                  | February       | 1235 | 1264 | 1235 | 1256              | 1242           | +14    |
|                  | March          |      |      |      | 1239              | 1239           | 0      |

### MCX Sugar-Kolhapur Review

MCX sugar-Kolhapur futures traded firm with active selling at higher levels. The January contract opened steady at 1261 and traded steadily up to test a high of 1277 where it met with stiff resistance. The contract slipped later on active selling to close 0.48% firm at 1267. Open interest remained steady amidst lower volumes traded as compared to the previous day. Close above the short term EMAs as well as rising Stochastic in the neutral region suggests near-term firmness. RSI is flat and inconclusive in the neutral region. MACD is declining in the positive territory, indicating declining bullish posture of the market. Sugar-Kolhapur futures are likely to trade firm in the next session with chances of late weakness.

### SUPPORT / RESISTANCES

| Contract              | S2   | S1   | PCP  | R1   | R2   |
|-----------------------|------|------|------|------|------|
| MCX-SUGARSKLP-January | 1214 | 1227 | 1267 | 1280 | 1290 |

### MCX Sugar-Kolhapur-January Contract

SUGARSKLP 0031 (MCX SUGAR) 2007/12/24 - Daily E: 1269.00 A: 1260.00  
O: 1261.00 H: 1277.00 L: 1261.00 C: 1267.00 V: 14 T: 9 I: 11 +6  
EMA(8): 1252.7 (10): 1240.4



### TRADE RECOMMENDATION

**Buy** MCX-January Sugar SKLP below 1265-1267 with target towards 1272 then second target at 1274. Stop loss near 1262. Do not carry forward the position until the next day.

### INTERNATIONAL FUTURES QUOTES (as on December 21, 2007)

| Contract Month                               | Open   | High   | Low    | Close  | Change |
|--|--------|--------|--------|--------|--------|
| <b>ICE Sugar No. 11 Prices (US Cents/lb)</b> |        |        |        |        |        |
| March 2008                                   | 11.05  | 11.11  | 10.97  | 11.05  | -0.02  |
| May 2008                                     | 11.30  | 11.33  | 11.25  | 11.31  | -0.04  |
| July 2008                                    | 11.34  | 11.42  | 11.33  | 11.40  | +0.01  |
| <b>LIFFE Sugar Prices (US\$/MT)</b>          |        |        |        |        |        |
| March 2008                                   | 316.00 | 318.80 | 315.10 | 317.50 | +0.50  |
| May 2008                                     | 319.00 | 322.50 | 318.00 | 321.00 | +0.80  |
| August 2008                                  | 319.10 | 323.40 | 319.10 | 322.50 | +1.30  |

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