

Price Drivers

- Govt allows 18.39 lakh tonnes sugar quota for February
- Duty Free Sugar imports suspended till 31st March 2011
- Good recovery in UP and Maharashtra reported till date.
- 37.04 lakh tones sugar production till date in Maharashtra.

ICE Sugar Futures Market

Raw sugar for March delivery rose 0.55 cent to settle at 32.05 cents a pound at 2 p.m. on ICE Futures U.S. in New York In London, refined-sugar futures for May delivery declined \$23.90 to \$773.00 a metric ton on NYSE Liffe.

Market Analysis

- Sugar prices stay mixed in different centers as the market lacks adequate cues in either side to define sugar prices for short term. However, any government intervention for re-opening sugar export might stand supportive for the prices though it is not likely before the summer.
- On supply side, sugar crushing and thereby production is likely to extend by nearly one month from UP amid delayed start of the crushing season. At the same time optimistic sugar production from Maharashtra and other states might bring the overall sugar production towards 23.5 to 23.8 million tons compared with 19 million tons previous year. The same shall continue to weigh on the short term and medium term fundamentals unless the government announcement for re-opening of sugar export under OGL.
- Now every attention is towards the sugar recovery from UP (8.94%) and Maharashtra which is towards a satisfactory level which might pave the way for optimistic sugar production from these states. This shall ensure better sugar production and supply scenario. At the same time Feb allocation is sufficient to meet the demand which might cap any short term aggressive gains.
- Sugar prices from UP and AP improved marginally while sluggish demand could be seen from Delhi, Maharashtra and Chennai. Meanwhile, the demand from Kolkata remains almost steady compared with the previous day. Sugar arrival at Delhi remains 40000 Quintal for M grade and 15000 Quintal for S Grade. Meanwhile, arrivals at Naka remain unchanged at 30 motors on Friday.
- Sugar Thai raw premium reached at its lower level in nearly two months. Thai whites traded at a premium of \$20 above London's March contract. Thai raws premiums would remain under pressure next week because of competition from Indian sweetener as Indonesia seeking sugar imports. Indian whites were offered at around \$780 a ton free on board. Indonesia traditionally buys sugar from Thailand, the world's second-largest exporter after Brazil, but the country has recently showed interest in Indian sweetener following an expected drop in output.

We expect that sugar prices are in Negative bias in near term due to good supply in the market and lack of demand in Physical Markets. However, estimates of sugar output both domestically and internationally may provide the actual direction to sugar prices in medium to long term.

Technical Analysis:

- As reflected in the chart sugar prices are moving downward.
- Price trading below 9 EMA and 18 EMA which further indicates bearish.
- However, oscillators such as RSI and Stochastic are hovering below oversold region.
- Selling towards resistance level would be the best strategy.

Trade Recommendation – Sugar NCDEX (Feb.) Contract

Call	Entry	T1	T2	SL
Buy Above	2672	2682	2699	2666
Support & Resistance				
S2	S1	PCP	R1	R2
2647	2657	2674	2682	2699



Prices at Key Markets

Centre	Grade/Variety	Prices 11-02-11 (Rs/Qtl)	Chng. from Prior day
Delhi	Sugar M	2920	-30
	Sugar S	2920	-10
Mumbai	Sugar M	2815-2860	Unch
	Sugar S	2725-2750	-25
Kolhapur	Sugar M	2655-2700	Unch
	Sugar S	2550-2565	-25
Chennai	Sugar S	2750	-30
Vijaywada	Sugar M	2900	+25
	Sugar S	2871	+21
Nagpur	Sugar M	2900	-
	Sugar S	2870	-
Kolkata	Sugar M	2980	Unch
Ramala	Sugar Ready new	2860	+10
Khatauli	Sugar Ready	2890	+5

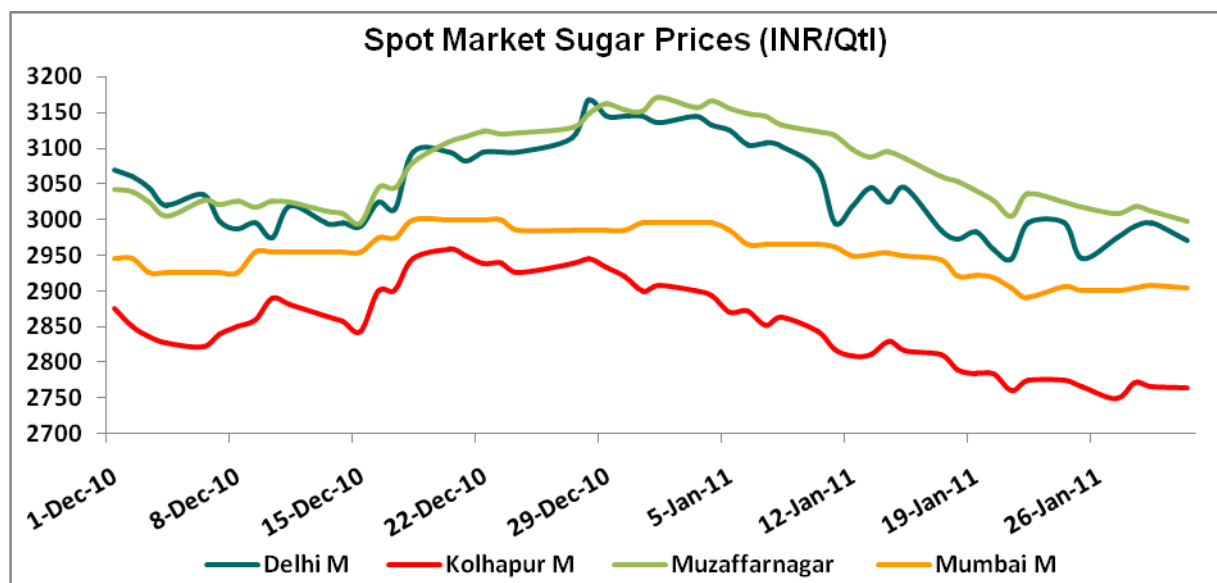
International Futures Quotes (as on 10-2-11)

	Contract Month	Open	High	Low	Close	Change
ICE Sugar #11 (US Cent/lb)	Mar'11	31.79	33.09	31.75	32.05	+0.55
	May'11	29.88	31.10	29.88	30.19	+0.46
	Jul'11	27.49	28.61	27.47	27.81	+0.35
LIFFE Sugar (US \$/MT)	May'11	773.40	785.00	763.30	773.00	+23.90
	Aug'11	724.00	742.90	724.00	733.30	+20.30
	Oct'11	678.00	689.40	673.50	680.30	+16.00
White Sugar Premium \$/MT	Mar'11	-	-	-	70.25	-9.50
	May'11	-	-	-	101.00	-5.00
	Aug'11	-	-	-	115.75	+0.75

Stock Position of Sugar in NCDEX Warehouse (In Metric Tonnes)

Location	Variety	Dematted Stocks		Change
		10/02/2011	9/02/2011	
Kolhapur	Sugar M Total	789	789	Unch
Kolhapur	Sugar S Total	3271	3381	Unch
Source: NCDEX				

Spot Market prices trend



(Source: NCDEX)

ICE Sugar Futures Mar'11 Contract



LIFFE Sugar Futures Mar'11 Contract



(Source: Reuters)

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