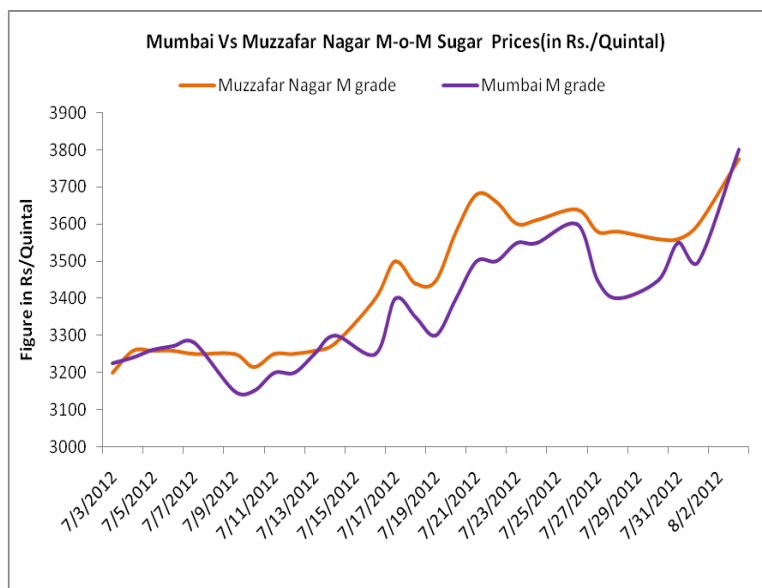


## Executive Summary:

Prices of sugar surged sharply during the week ended 3<sup>rd</sup> August 2012. Increase in sugar prices and firm spot demand of sugar led the sugar prices upwards. In addition to it, festive season and rise in futures at NCDEX became major influencing factors of rise in sugar prices.

We expect sugar prices will trade firm in domestic markets considering good domestic as well as export demand. In addition to it; weak international cues are not supporting the prices of sugar as Brazilian sugar which was on hold due to heavy rains has now entered into market, making sugar prices fall, which makes domestic market more lucrative.



## Domestic Outlook:

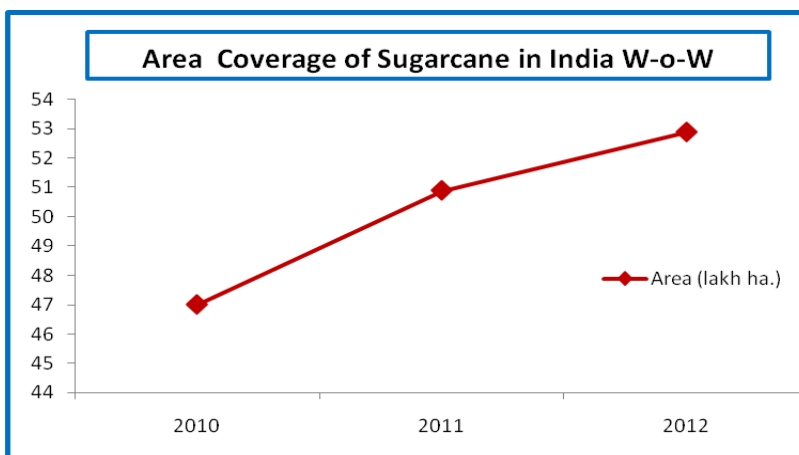
Sugar prices are likely to stay Bull run in domestic market keeping in view strong spot demand. Also, weak cues from international market has made exporters default on sending shipments.

## News Highlights:

- The NCDEX and MCX will levy initial margin of 10 percent in all contracts of sugar from 6<sup>th</sup> of August 2012. Right now effective margin are 4.41 percent. On the MCX, sugar attracts a margin of 5 per cent. The exchanges clarified that the special margins, additional margins or any other margins levied shall be over and above the revised minimum initial margin.
- As per Agriwatch, sugar prices are likely to cross Rs.4000 mark on NCDEX. However, additional margin of 10% on sugar by NCDEX and MCX might restrict margin to gain in short term. Government is closely monitoring market, if prices go up, more stringent measure might be taken in the month ahead.
- According to Agriwatch estimate, Sugar output may fall by 22% next year due poor monsoon. This would drive up the prices of sugar.
- Exporters of sugar have defaulted on 50,000 tonnes of sugar order, due to higher prices at domestic market and decrease in prices in international market. Brazilian sugar arriving in international market prices has come down whereas domestic prices have gone up on higher demand. Traders are getting good prices at domestic market than at international market. More defaults on sugar exports are likely to follow.
- Futures of Indian sugar rose higher due to heavy seasonal demand in key spot markets. In addition, with improved conditions in Brazil, sugar prices have fallen. Market is following bullish trend. There have been rains for past, few days, which could bring some relief in the crop but the damage in, has already been done.

### Sugarcane Sowing Intention:

Sugarcane has been planted in 52.88 lac hectares so far. Sugarcane has been planted in 2.29 lakh hectares more than that in 2011-12. (Source: Pib)



Recently, Government of India has increased sugarcane production estimate for 2011-12 to 357.67 million tons in its fourth advance estimate up from 351.1 million tons estimated by government in its third advance estimate. Increase in sugarcane estimate by government might offset the impact of recent bullishness in the sugar prices.

### Spot Sugar Prices Scenario (Weekly)

|                   | 27-July-12 | 03-Aug-12 | Change |
|-------------------|------------|-----------|--------|
| Delhi M-30        | 3525       | 3700      | 175    |
| Delhi S-30        | 3490       | 3670      | 180    |
| Muzaffar Nagar M  | 3580       | 3775      | 195    |
| Mumbai M-30       | 3601       | 3786      | 185    |
| Mumbai S-30       | 3491       | 3651      | 160    |
| Kolhapur M-30     | 3450       | 3800      | 350    |
| Kolhapur S-30     | 3350       | 3650      | 300    |
| Kolkata M Variety | 3560       | 3800      | 240    |
| Chennai S         | 3500       | 3800      | 300    |
| Vijayawada M-30   | 3880       | 4100      | 220    |

**Spot Market Technical Analysis (Kolhapur–Grade M)**

**Price Expectation for Kolhapur market for the coming week.**

- Sugar Kolhapur prices moving up during the week ended 3<sup>rd</sup> August 2012.
- Prices recently breach broad trading range between Rs.3600 to Rs.3750 level and likely to remain in the firm tone.
- Keeping in view prevailing fundamentals, we expect prices might move up in the coming week, if in case government passes any stringent regulation to arrest rise in sugar prices. We suggest market participants to hold sugar at prevailing price levels.
- Prices are likely to use the support from lower Gann Fann angle and we expect the prices to trade above the mentioned angle in the coming week.
- RSI is moving in overbought region.

**Spot Market Technical Analysis (Muzaffar Nagar –Grade M)**

**Price Expectation for Muzaffar Nagar market for the coming week.**

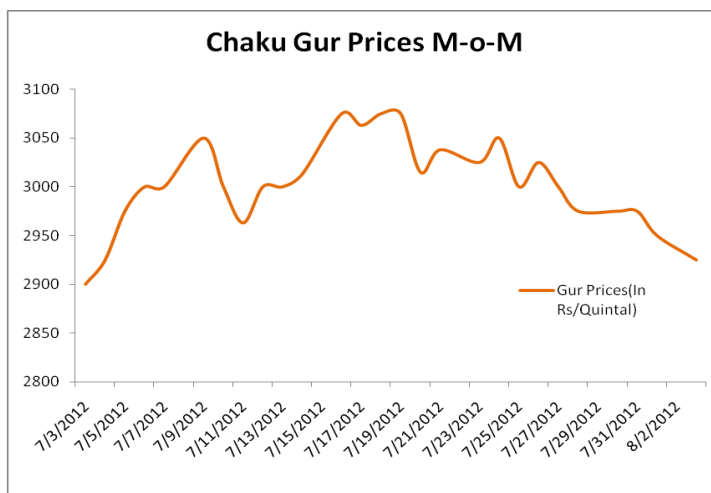
- Sugar prices in Muzaffar nagar market moved upwards during the week.
- We suggest market participants to hold sugar and likely to make profit booking at Rs 3900 level, unless government intervention brings down prices.
- Prices are getting support from the middle Gann Fann angle, from where prices might still go up.
- RSI is moving in overbought region.

**Gur Market Scenario and Outlook**

Gur prices are moving range bound with weakness during the week ended 3<sup>rd</sup> August 2012. Weak offtake and lack of rainfall in UP put breaks on overall bullishness in the gur prices.

Last week around 28000 bags of gur sold out from Cold storages, which was lesser than previous year.

Around 985000 bags (40 kg each) has been stored in Muzaffar nagar cold storage till 3<sup>rd</sup> August 2012 which are 106800 bags higher compared to last year same period stock position of gur. Out of total gur stock position, there are around 693000 bags of Chaku variety gur stored in Cold storages.



|               | This week Off take (In Bags) |
|---------------|------------------------------|
| <b>Chaku</b>  | 31835                        |
| <b>Raskut</b> | 18000                        |
| <b>Papdi</b>  | 16000                        |
| <b>Khurpa</b> | 11000                        |
| <b>Total</b>  | 76835                        |

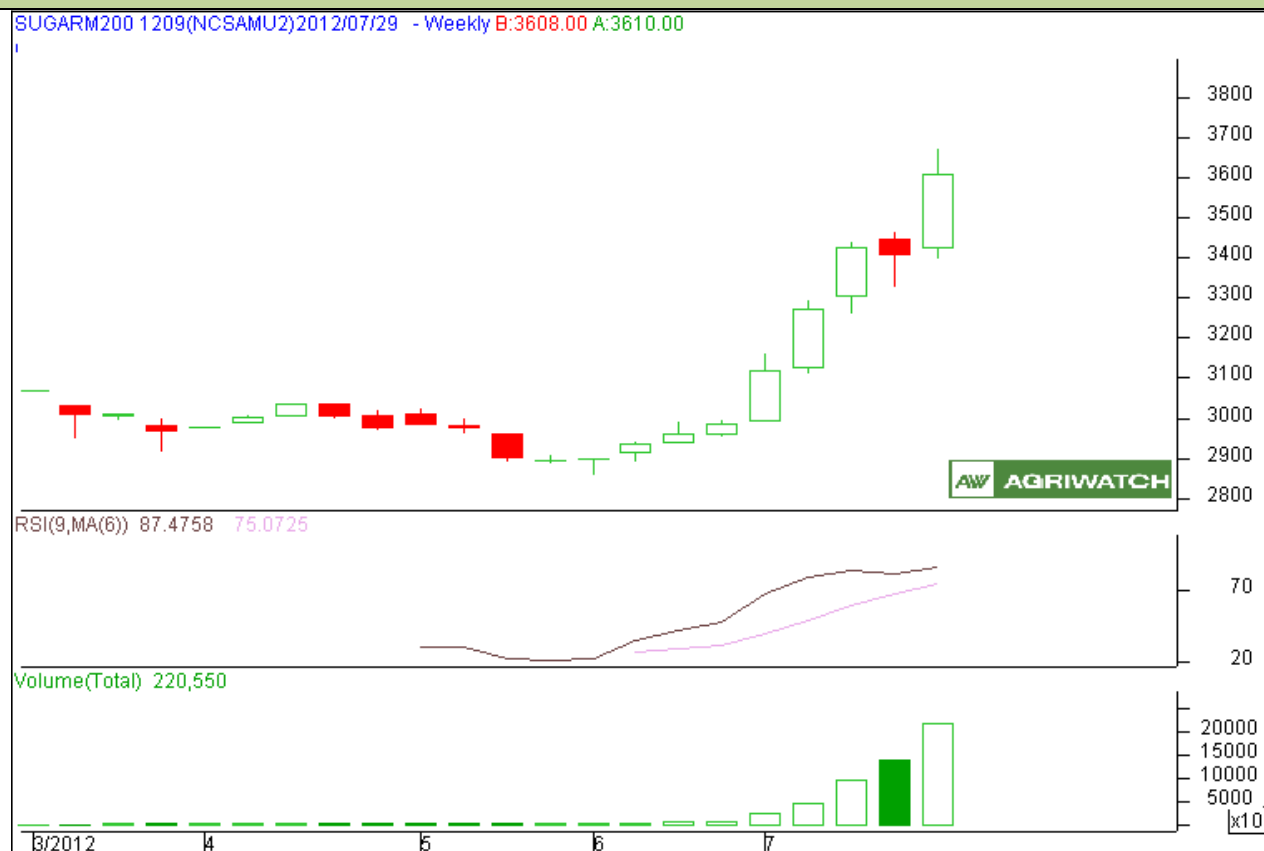
Dull demand of gur continues in Muzaffar nagar mandi, led the prices down last week. Also, overall trend of gur is bearish, increase in cane prices and depleting stocks of gur in cold storages are not taking the gur prices up in the coming week.

| <b>Gur Spot Prices (Rs/Qtl)</b> |                   |                   |                  |               |
|---------------------------------|-------------------|-------------------|------------------|---------------|
| <b>Markets</b>                  | <b>Variety</b>    | <b>27-July-12</b> | <b>03-Aug-12</b> | <b>Change</b> |
| Muzaffar Nagar                  | Chaku(Sukha-gur)  | 3000              | 2925             | <b>-75</b>    |
|                                 | Chaku (Gila-gur)  | 2950              | 2875             | <b>-75</b>    |
|                                 | Khurpa            | 3000              | 2900             | <b>-100</b>   |
|                                 | Rascut            | 2925              | 2838             | <b>-87</b>    |
| Bangalore                       | Achhu             | 3000              | 3000             | <b>Unch</b>   |
|                                 | Mudde             | 3100              | 3100             | <b>Unch</b>   |
| Belgaum                         | Mudde             | 3000              | 3000             | <b>Unch</b>   |
| Belthangadi                     | yellow (Average)  | 2950              | 3000             | <b>50</b>     |
| Bijapur                         | Achhu             | 2900              | 2645             | <b>-255</b>   |
| Gulbarga                        | Other (Average)   | 2875              | 2900             | <b>25</b>     |
| Mahalingapura                   | Penti (Average)   | 2990              | 3050             | <b>60</b>     |
| Mandya                          | Achhu (Medium)    | 2550              | 2500             | <b>-50</b>    |
|                                 | Kurikatu (Medium) | 2300              | 2300             | <b>Unch</b>   |
|                                 | Other (Medium)    | 2350              | 2350             | <b>Unch</b>   |
|                                 | Yellow (Medium)   | 2450              | 2450             | <b>Unch</b>   |
| Shimoga                         | Achhu (Average)   | 3150              | 3175             | <b>25</b>     |

Commodity: Sugar  
Contract: September

Exchange: NCDEX  
Expiry: September 17, 2012

### SUGAR (Weekly Aug Contract Chart)



#### Technical Commentary:

- Sugar prices recently breach of high price Rs. 3672 level.
- RSI is moving at overbought region, hints caution to bulls.
- However, last candlestick pattern suggests bullishness in the prices.

**Strategy:** Buy towards entry level.

| Weekly Supports & Resistances |       |     | S2   | S1         | PCP  | R1   | R2   |
|-------------------------------|-------|-----|------|------------|------|------|------|
| Sugar                         | NCDEX | Aug | 3328 | 3399       | 3607 | 3700 | 3720 |
| Weekly Trade Call             |       |     | Call | Entry      | T1   | T2   | SL   |
| Sugar                         | NCDEX | Aug | Buy  | Above 3580 | 3675 | 3700 | 3480 |

**Commodity: Gur**  
**Contract: September**
**Exchange: NCDEX**  
**Expiry: September 20, 2012**
**GUR (September Weekly Chart)**

**Technical Commentary:**

- Candlestick chart shows bullish trend in previous week.
- Prices have recently breach 1230 to 1251 which take the prices towards 1222 level.
- RSI is hovering in neutral zone, hints sideways movement in market.
- However, rise in prices has supported by OI depicts long build up in the market.

**Strategy:** Sell below entry level

| Weekly Supports & Resistances |       |           | S2          | S1         | PCP  | R1   | R2   |
|-------------------------------|-------|-----------|-------------|------------|------|------|------|
| Gur                           | NCDEX | September | 1280        | 1271       | 1251 | 1214 | 1198 |
| Weekly Trade Call             |       |           | Call        | Entry      | T1   | T2   | SL   |
| Gur                           | NCDEX | September | <b>Sell</b> | Below 1255 | 1230 | 1222 | 1268 |

**International Scenario**

International white and raw sugar moved range bound with weak tone last week. Prices are likely to stay down after conditions in Brazil's improved, center south region have increase the pace of crushing as well as inflow of Brazilian sugar in global market, which ease the prices further of sugar in ICE as well as LIFFE.

### International Market News Highlights:

- Around 20% of sugar waiting to be loaded at main ports of Brazil on destination to China.
- Thai sugar premium is likely to stay at two-year high also supporting is the festive season.

| International Sugar Prices (Weekly) |                |            |             |        |
|-------------------------------------|----------------|------------|-------------|--------|
|                                     | Contract Month | 26-July-12 | 2-August-12 | Change |
| ICE Sugar #11 (US Cent/lb)          | Oct-12         | 22.50      | 22.04       | 0.46   |
|                                     | Mar-13         | 22.92      | 22.48       | 0.44   |
|                                     | May-13         | 22.56      | 22.20       | 0.36   |
| LIFFE Sugar (US \$/MT)              | Oct-12         | 615.50     | 610.50      | 5      |
|                                     | Dec-12         | 598.30     | 589.90      | 9      |
|                                     | Mar-13         | 601.50     | 592.10      | 9.4    |

### LIFFE Future Market Sugar Scenario (October Contract):



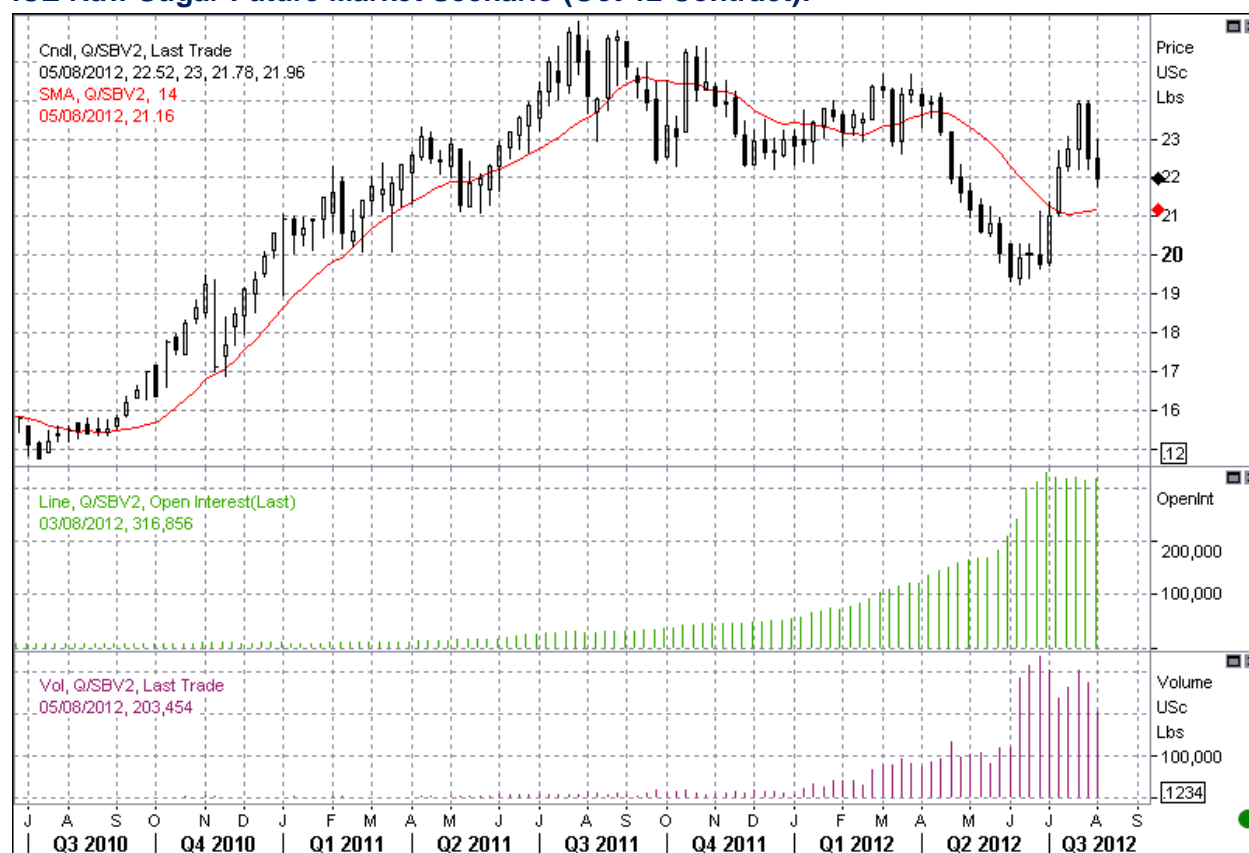
### Technical Commentary:

- Chart pattern depicts that candles is likely to continue downward trend in near term.
- Decrease in prices with volume and OI depicts consolidation in market.
- Last candlestick suggests bearish in the prices.

However, Increase in prices has not supported by volume, which clearly indicates lack of confidence among long market participants. **International Sugar Futures Price Projection**

|                        | Contract Month | Present Quote | Expected Price level for next week |
|------------------------|----------------|---------------|------------------------------------|
| LIFFE Sugar (US \$/MT) | Oct'12         | 609.60        | 600.0                              |



**ICE Raw Sugar Future Market Scenario (Oct'12 Contract):**

**Technical Commentary:**

- ICE raw sugar futures declined sharply during the week ended 3<sup>rd</sup> August 2012.
- Decrease in prices with increase in OI depicts short build up in market.
- Last candlestick suggests bearish in the prices.

| International Sugar Futures Price Projection |                |               |                                    |
|--|----------------|---------------|------------------------------------|
|  | Contract Month | Present Quote | Expected Price level for next week |
| ICE Sugar #11 (US Cent/lb)                   | Oct'12         | 22.00         | 21.5                               |



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