

QSL Market Update

Current as of 18 December, 2017

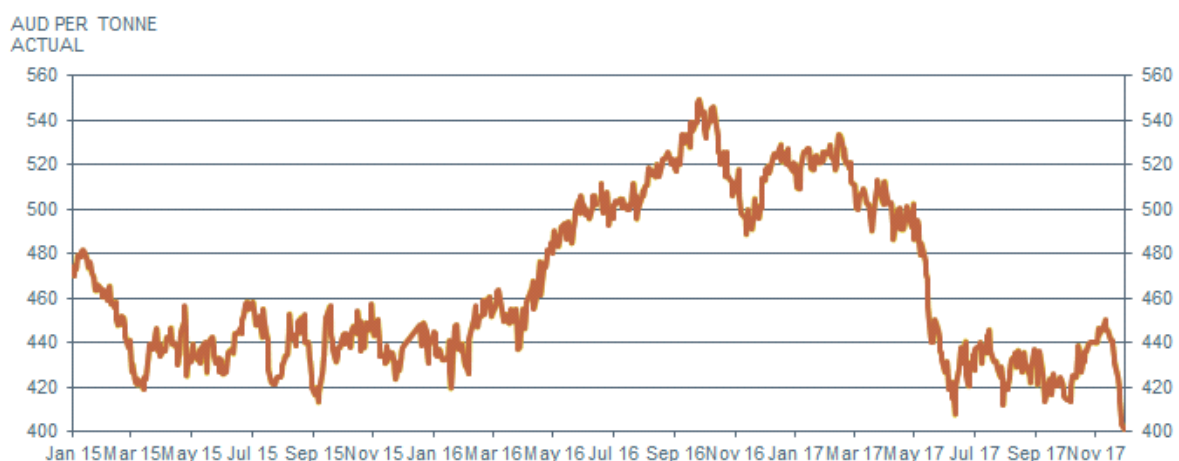
Today's Indicative ICE 11 Prices

SEASON	AUD/MT*	WEEKLY CHANGE
2018	400.71	-5.55%
2019	417.95	-5.80%
2020	419.10	-5.98%

The figures quoted above are indicative of available ICE 11 prices as at 18 December 2017 and reflect the weighted average AUD/mt price. The prices have been adjusted to include Over-the-Counter (OTC) margin fees charged by banking institutions and, therefore, may differ from daily prices quoted by the ICE #11 Exchange and/or other Marketers of Growers' Economic Interest in Sugar (GEI Sugar). Values also do not account for any adjustments resulting from local Grower-Miller pricing arrangements.

Please Note: The QSL Market Update will take a break over the Christmas holiday period and return mid-January 2018.

2018 Season Historical Price Chart



Source: Bloomberg. Published at www.qsl.com.au as at 18.12.2017

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QSL Market View

Current as of 18 December 2017

● Trend is more favourable to positive \$A/mt returns.
 ● Trend is neutral to \$A/mt returns.
 ● Trend is less favourable to \$A/mt returns.

MARKET COST DRIVERS	PROMPT (Mar 18) A\$/mt	2018 SEASON A\$/mt	COMMENTS
Current Market	\$389.98	\$400.71	
Sugar Fundamentals – Global exc. Brazil	●	●	News out of China around an increase in import licences caused a bit of a stir last week. A decrease in domestic crop estimates has necessitated the need for more raw imports. This should be bullish for the MAR18, soaking up some central American supply in that contract, and we saw the MAR/MAY spread invert slightly further on the headline.
Sugar Fundamentals – Brazil	●	●	Forecasts continue to point to an average or slightly above-average rainy season. A survey of analysts produced an estimate of 33 million tonnes for the 2018 Season but of course that depends on the sugar/ethanol mix which depends on the ICE11 and ethanol prices when the next crop starts crushing.
Macro Issues/ Specs	●	●	A huge surprise in Friday's Commitments of Traders report with the speculators selling a massive 104,000 lots to end the Tuesday-to-Tuesday reporting period net short 88,500. Given the market continued to sag through the remainder of last week, it's very likely that the net position is now back above the 100k mark after buying a similar size position back only just over a month ago!
AUD/USD	●	●	Despite the Fed raising rates as anticipated on Wednesday night and maintaining their three rate rise horizon for 2018, the AUD roared back to life as weaker inflation data in the US and a strong employment print locally combined to lift the AUD back above the 76 cent mark. GDP and jobs data in the US will lead the market later in the week and the AUD still remains under pressure in the short term.
Overall Comments	A stronger AUD and a continuation of last week's spec-led sugar sell off continue to weigh heavily on AUD/mt prices. 2018 is now back at \$400 – a long way from the \$450 seen just over a couple of weeks ago! With such a rapid move in ICE11 values we expect to see the market calm down somewhat over the next week as traders wind down for the Christmas period. The sugar fundamentals remain bearish and it appears that the speculators have landed in that camp rather than the technical/Brazil-ethanol-switch bullish story some market participants are still clinging to. Where to for prices in 2018 remains anyone's guess, but selling the rallies remains the mantra for now.		

Please refer to QSL's website for the latest market information via the daily Market Snapshot: <http://www.qsl.com.au/sugar-prices/daily-indicative-prices>.

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