

QSL Market Update

Current as of 5 February, 2018

Today's Indicative ICE 11 Prices

SEASON	AUD/MT*	WEEKLY CHANGE
2018	403.26	3.52%
2019	424.47	3.63%
2020	429.63	3.45%

The figures quoted above are indicative of available ICE 11 prices as at 5 February 2018 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.

2018 Season Historical Price Chart



Source: Bloomberg. Published at www.qsl.com.au as at 05.02.18

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QSL Market View

Current as of 5 February 2018

- 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	\$377.40	\$403.26	
Sugar Fundamentals - Global exc. Brazil	●	●	The world sugar conference in Dubai is underway and it will be interesting to see what the market makes of the current conundrum. Data is showing production in Uttar Pradesh (India) at 5.44 million tonnes versus 4.51 million tonnes last year and yields up 2.5%. It looks likely that Pakistan will subsidise 2 million tonnes of exports as opposed to the 1.5 previously reported.
Sugar Fundamentals - Brazil	●	●	Much discussion in Dubai is centring on how low the sugar/ ethanol mix can go. 40% seems the likely number for a variety of logistical, industrial and financial reasons. Not likely that this will be enough to chew into the significant global surplus. Lower cane figures for this season are likely to be offset by the cutting of some of the 18-month-old cane from last year's crop.
Macro Issues/ Specs	●	●	Friday's COT report sprung a bit of surprise. Despite the market lifting 53 points over the reporting period, non-index funds added to their net-short position, posting another new record of net-short 183,000 lots. Given the market is still up around those Tuesday levels, its likely many of those shorts that were added are 'underwater'. Will the speculators panic and begin buying now? If last week's post-COT action is anything to go by, we could well see another rally off the back of this number.
AUD/USD	●	●	The AUD faced significant headwinds last week. After making new highs the market turned lower off the back of a poor local CPI print. Then the US took over, with Yellen chairing her final FOMC meeting and setting the market up for a March rise in the US cash rate. Solid US employment data then added to the AUD's woes as it finished up the week nearly 200 points lower.
Overall Comments	Sugar was a mixed bag over the week, roaring higher early off the back of last week's record spec net-short number, before stalling at strong overhead resistance around 13.70 c/lb and selling off sharply on Wednesday. Thursday and Friday's partial recovery coupled with the AUD finally having its wings clipped has pushed 2018 back above \$400/mt and 2019 back to near \$425/mt. Spreads have narrowed, which suggests spec rolling from MAR to MAY has already started. Market chatter out of Dubai suggests a tight physical market in March so we could still see a squeeze back up to the 14-15 c/lb range again.		

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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