

QSL Market Update

Current as of 10 September 2018

Indicative ICE 11 Prices

SEASON	AUD/MT*	WEEKLY CHANGE
2018	350.87	10.41%
2019	383.91	8.26%
2020	404.84	7.46%

*These figures are indicative of available ICE 11 prices as at **10 September 2018** and reflect the weighted average AUD/mt price. The prices have been adjusted to include Over-the-Counter margin fees charged by banking institutions and so may differ from daily prices quoted by the ICE #11 Exchange and/or other Marketers of Growers' Economic Interest in Sugar. Values also do not account for any adjustments resulting from local Grower-Miller pricing arrangements.

Weekly Market Overview

By QSL Trading Analyst Barbara Roberts

SUGAR

- Sugar continues to enjoy a modest recovery. After making its weekly low of 10.49c/lb last Wednesday, the ICE 11 OCT18 contract gradually rose by 41 points to close the week at 11.01c/lb.
- Brazil's ageing cane and ongoing drought are continuing to contribute to a reduction of the tonnage of cane per hectare (TCH). Recently a Brazilian bank reported that several mills are going through financial problems. Ethanol stocks are reported at all-time high levels and are likely to remain so in order to deal with demand during the long inter-crop period.
- Dry weather in the European Union continues to weigh on expected yields.
- Around the sugar world: India's export situation is still to be resolved from last season. As the 2018-Season harvest is about to start, India must export some tonnage to make room for the new crop, which is dependent on international sugar prices. Weather wise, Maharashtra, Central America, South Central Brazil and now Mexico are suffering from drought.
- The Commitment of Traders (COT) report as at 4 September provided a big surprise, with specs adding 12,000 shorts to close the reporting period at a new record net-short position of 188,738. This occurred despite a flat price gain of 33 points week-on-week.

CURRENCY

- The Aussie Dollar struggled over the week again, breaking the 0.7140 barrier and hitting a session low of 0.7097 on Friday. Declining emerging-market sentiment, poor domestic data and an increase in trade-war tensions is weighing down on the AUD.
- The Federal Reserve remains on track to lift interest rates later this month, with US wages reports better than the forecast and providing further evidence of a tightening employment market. Treasury yields and the US dollar jumped following the news, while President Trump's tax-cut stimulus continues to boost the American economy more generally.
- US tariffs on Chinese imports of \$200 billion are most likely to be implemented later this week, with Trump indicating the possibility of another \$267 billion. Exports constitute about 10% of China's GDP and these tariffs are going to have a significant impact on both the economy and the Yuan. As a major trade partner, this will certainly have knock-on effects for our economy and the AUD.
- Emerging markets caused a lot of worry last week, with the risk of currency crises spreading to their peers at heightened levels. A combination of factors are impacting their behaviour as global trade tensions, forecasts of higher US interest rates and overall market uncertainty continue to besiege the emerging-markets complex.

2018-Season Historical ICE 11 Price Chart



This is a whole-of-season ICE 11 price chart for the 2018 Season, based on the current 3:2:1 pricing ratio applicable to QSL Target Price Pool growers. Source: Bloomberg. Published at www.qsl.com.au as at 10.9.18

For more sugar market information, please read the latest QSL Market Snapshot, available by [clicking here](#).