

QSL Market Update

Current as of 24 September 2018

Indicative ICE 11 Prices

SEASON	AUD/MT*	WEEKLY CHANGE
2018	351.65	10.66%
2019	371.75	4.83%
2020	389.26	3.33%

*These figures are indicative of available ICE 11 prices as at **24 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 prices went in reverse during the past week. The OCT18 contract made its low on Tuesday at 10.43c/lb before rising to a high of 11.10c/lb on Thursday and closing the week down 32 points at 10.84c/lb. The October expiry is looming, with the Mar19 contract now the most active position and closing at 11.68c/lb.
- Indian subsidy rumours continue to unsettle sugar prices, especially when it was announced that the government is due to deliberate on a package this week. The key details on the terms of the package are yet unknown, but analysts foresee at least two outcomes:
 - A Minimum Selling Price (MSP) on the domestic market and export subsidy;
 - And for the growers/processors, an additional benefit as a raised ethanol price, a buffer stock of 3 million metric tonnes (mmt), and soft loans to help mills pay off arrears to farmers.
 India will have a more favourable situation to continue to increase their production, making the current surplus scenario linger. Analysts are estimating a global surplus in 2018/19 of 4.5 mmt compared with 10 mmt last year.
- Weather is not a factor impacting global sugar production at this stage, as the Brazilian and European Union harvests are coming to an end. Beet Farmers in the EU plan to reduce their yield by 5% next year,

and Brazil has already announced that they will reduce yields and focus on ethanol production. These initiatives are an attempt to diminish the current raw sugar surplus and production costs.

- The current lower sugar prices have been impacting the sugar industry around the world, with both Vietnam and Brazil cutting production and closing factories.
- The Commitment of Traders (COT) report as at 18 September showed a severe fall in the net spec shorts from 164,000, reducing their position to 114,000. Although this is to be expected against the backdrop of higher prices, it may also be a possible correction of the surprise increase in net shorts presented two weeks ago.

CURRENCY

- The Aussie Dollar started the week at 0.7151 before gradually increasing to break the 0.7292 barrier. Rebounding Emerging Market sentiment as well as a lift in commodities provided some support to the local unit, however the US economy and trade wars continue to dominate the AUD trading landscape more generally.
- The USD decreased 0.5% on President Trump's tariffs announcements against China last week, with the new round of tariffs starting today. The US is going to impose \$200 billion worth of tariffs on Chinese products in response to China's move to target \$60 billion of US goods with extra duties. The US duties will apply to almost 6000 items, with the tax forecast to rise 25% from the start of 2019. The US theory behind this tariff war is to boost local business and the national economy.
- Wednesday sees the Federal Reserve convene for their September meeting. A 25-basis-point hike is fully priced in, so market attention will likely be focused on the accompanying language, particularly around whether current policy measures remain accommodative for US economic growth.

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 5:1 pricing ratio applicable to QSL Target Price Pool growers. Source: Bloomberg. Published at www.qsl.com.au as at 24.09.18

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

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