

QSL Market Update

Current as of 15 October 2018

Indicative ICE 11 Prices

SEASON	AUD/MT*	WEEKLY CHANGE
2018	401.91	2.46%
2019	419.53	2.21%
2020	428.48	0.70%

*These figures are indicative of available ICE 11 prices as at **15 October 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 were strong and steady last week, with the MAR19 contract hitting its high of 13.28c/lb and settling at 13.07c/lb on Friday, after posting its low for the period of 12.85c/lb on Wednesday. Bullish sentiment is present again, with the prompt contract closing the week on a 13-cent handle for the first time since March.
- Sugar Week took place in London. The main topics discussed were:
 - **INDIA:** Exports may be going to take place after the election in April/May 2019, with 1.5 million tonnes of raws expected
 - **EUROPEAN UNION:** 1.5-2.5 million tonnes of exports are expected in 18/19, although yields are down. Beet is expected to reduce in 19/20 by 5-10%.
 - **BRAZIL:** The currency is expected to strengthen, with sugar production estimates set to be between 24-26 million tonnes
 - **ETHANOL:** India and Brazil could play a big role in supporting ethanol prices.

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- The Brazilian Sugar Cane Union (UNICA) has released their second-half September numbers. Their TCH (Tons Cane per Hectare) was 64.79 t/ha compared to 72.39 t/ha at the same time last year. Also, for this second half we saw sugar production decrease by 55.01% and ethanol production increase by 19.81% compared with the same period last year. Ethanol parity (expected to reach 15 c/lb during the intercrop period), aged crops and rain are all supporting the likelihood that Brazil's total 2018 sugar production will likely be less than 26 million tonnes.

Brazil Results	Accumulated as at 1 October 2018	Accumulated as at 1 October 2017
Cane Crushed	457 million tonnes	468 million tonnes
Sugar	22.273 million tonnes	29.338 million tonnes
Sugar Mix (% of cane)	36.37%	48.25%

- Thai Sugar: Analysis deemed Thailand one of the biggest factors of the 2017/18 global surplus, as they registered a record of 14.7 million tonnes. With the harvest for 2018/19 about to start, cane production is forecast to be 13.5 million tonnes despite the addition of three new mills. The main reasons for the expected reduction centre around lower world sugar prices and poor rains in major growing areas
- The Commitment of Traders (COT) report as at 9 October provided the expected trimming of the net-short position from 142,817 to 88,052. During the course of last week, MAR19 rallied 90 points, driving the specs to make a move.

CURRENCY

- The Aussie Dollar closed the week on the highs of 0.7124, after posting its low of 0.7055 on Thursday, finishing the week at 0.7117. With nothing much happening domestically, all eyes are looking offshore. Strong US data, lower equity markets and trade-war tensions continue to weigh on the AUD.
- Equity markets abruptly fell last Tuesday (a one-day fall of 3-4% for major exchanges) and the Dow Jones, S&P and NASDAQ all finished heavily in the red. US bond yields continue to hold up, while lower commodity prices are also weighing on risk sentiment.
- US President Trump was again openly criticising The Federal Reserve for the speed that rates have been increased. He said that they were “going loco”, and that the stock market plunge was a correction for their actions.
- This week markets will be paying close attention to US retail sales and housing data, as well as Australian employment data.

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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 15.10.18

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