

Current as of 29 July 2019

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Indicative ICE 11 Prices

SEASON	AUD/MT*	WEEKLY CHANGE
2019	396.20	1.34%
2020	428.96	1.42%
2021	440.17	1.62%
2022	439.18	1.83%

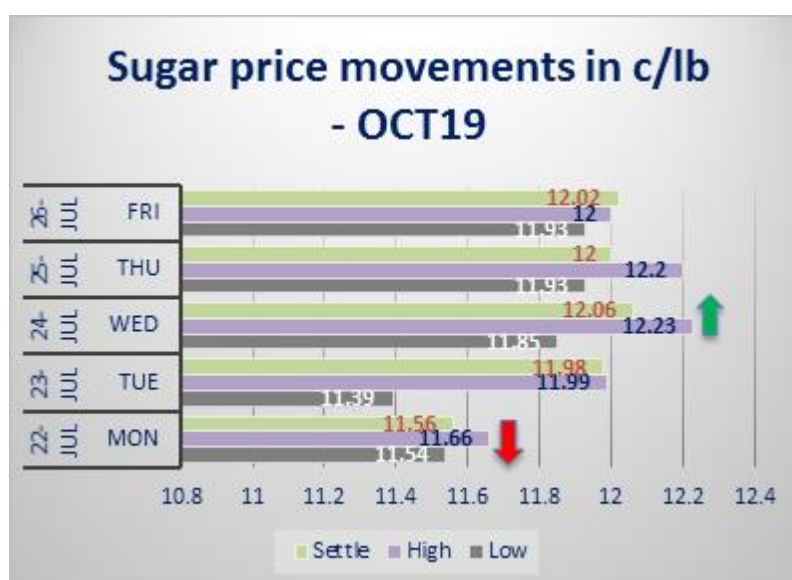
*These figures are indicative of available ICE 11 prices as at **22 July 2019** and reflect the weighted average AUD/mt price. The prices have been adjusted to include Over-the-Counter margin fees charged by banking institutions and so may differ from daily prices quoted by the ICE #11 Exchange and/or 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 Barb Roberts

SUGAR

After a couple of days of posting new life into consistent contract lows the Oct 19 contract was resurrected on Wednesday with an aggressive technical reversal lifting it to 42 points and back above the 12c handle. Positive fundamental news also supported the movement.



- **Brazil:** UNICA numbers released for the first half of July:

UNICA – Centre-South Brazil numbers for 1 st half of July		
UNICA – Centre South Brazil - Results	Accumulated to 16 July 2019	Accumulated to 16 July 2018
Cane Crushed (mln tonnes)	258,126	
Sugar (mln tonnes)	10,857	
Sugar Mix (% of cane crushed for sugar)	34.95%	

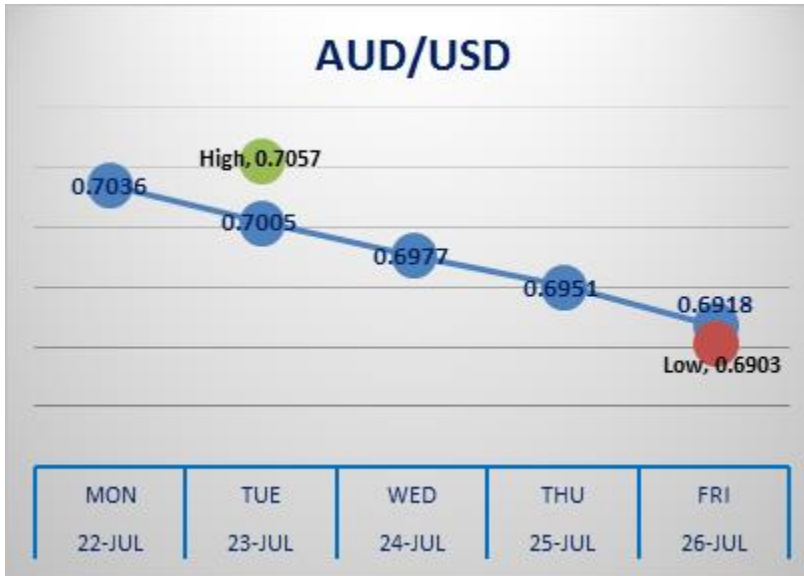
- Numbers indicate the 2019 crush decreased almost 10% from last year.
- Ethanol production from corn increased 80.34% from last year.
- Rainy days in July diminished crush pace.
- It seems the flash frost last month has damaged circa 400,000 hectares of cane in CS Brazil according to UNICA. Around 65% of this area has not yet been harvested, and the potential damage to the crop is yet to be fully assessed. In the case of damage, the cane may need to be harvested prematurely, increasing chances of low sugar content for the area.

Weather/Storage - India: A good amount of rain was recorded in Maharashtra and Karnataka last week, however it was not enough to reverse the past 3 months of dry weather and as such the current dam situation in Maharashtra has worsened, and is now below 40% average.

Commitments of Traders: Speculators continued to increase their short position, from 112,000 to 161,000 lots for the period ending Tuesday 23 July, slightly above market expectations. The subsequent technical reversal back above 12 cents will have caught a significant volume (possibly around 40,000 lots) out of the money. Whether the speculators will cut their losses and buy back those positions or hold on will determine the direction of the next short term move.

CURRENCY

The Aussie dollar is still trading within the 0.69c - 0.71c range, however this week the movement was downwards due to stronger than expected USD data. General risk-off sentiment has powered up the US dollar, China and US talks are due to start again this week while the US Federal Reserve is anticipated to cut rates by 25 basis points at the meeting on Wednesday.



- US Q2 GDP (US second quarter Gross Domestic Product) was surprisingly above expectations with growth at 2.1%, showing consumption remains strong despite a weakening global backdrop. Numbers supported USD and US yields on Friday.

Busy week ahead:

- Domestically:
 - Aussie Q2 CPI (Consumer Price Index): RBA's core inflation measurement. Can be an indicative of an August cash rate cut, which is currently 20% priced.
- Abroad:
 - FOMC (Federal Open Market Committee) meeting– US is expecting a rate cut by 25 basis points.
 - US ISM Manufacturing (Institute for Supply Management) and Payroll – The ISM index monitors monthly changes in production level. Numbers are going to be closely watched because of the strong GDP. ISM needs to be positive, otherwise if weakness is present it can potentially weigh on firms, impacting investments and hiring.

- Chinese PMIs (Purchasing Managers Index) – It's going to be a good indication in how the Chinese economy is responding to the trade war and the direct spillover to Aussie exports .

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

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