



Indicative ICE 11 Prices

SEASON	AUD/MT*	WEEKLY CHANGE
2019	399.78	-2.92%
2020	419.62	-2.78%
2021	434.91	-2.03%
2022	434.94	-2.44%

*These figures are indicative of available ICE 11 prices as at **14 October 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.

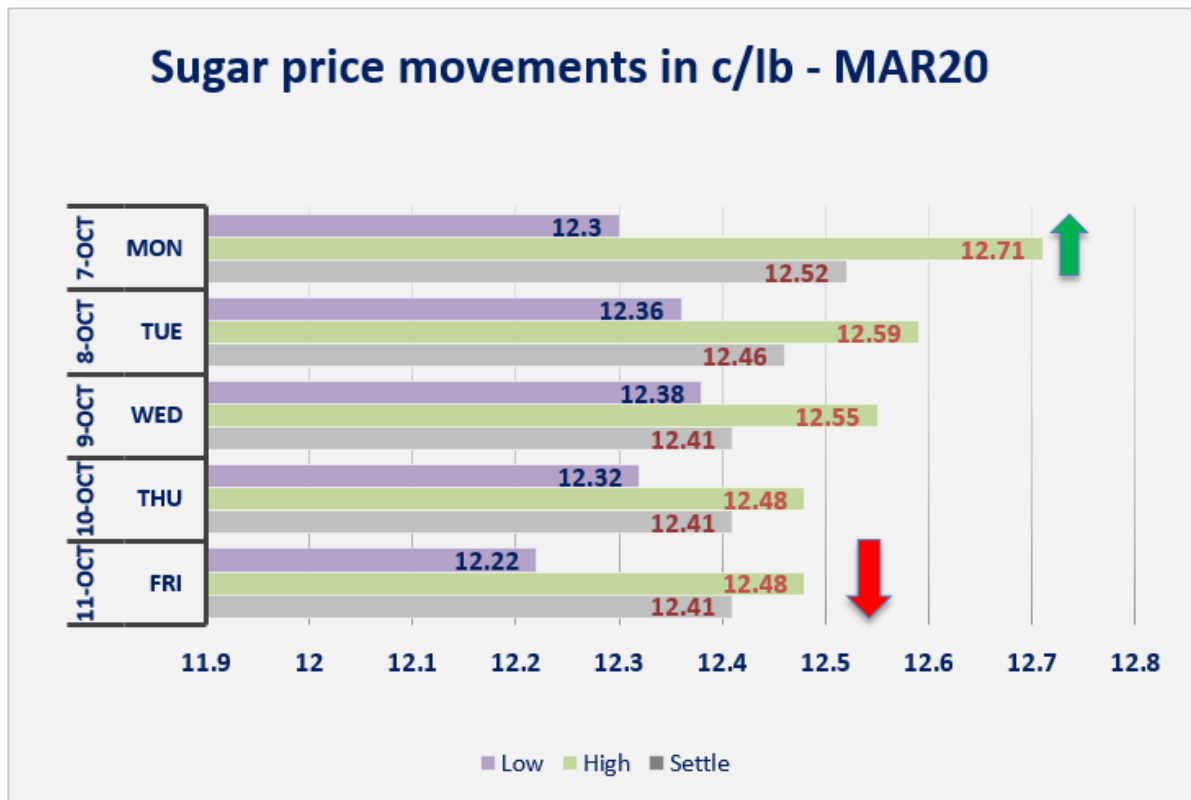
Weekly Market Overview

By QSL Trading Analyst Barb Roberts

SUGAR

Groundhog day was the order of business for sugar prices last week, with the market stuck in a very narrow range and settling at 12.41 c/lb for the last three days of the reporting period.

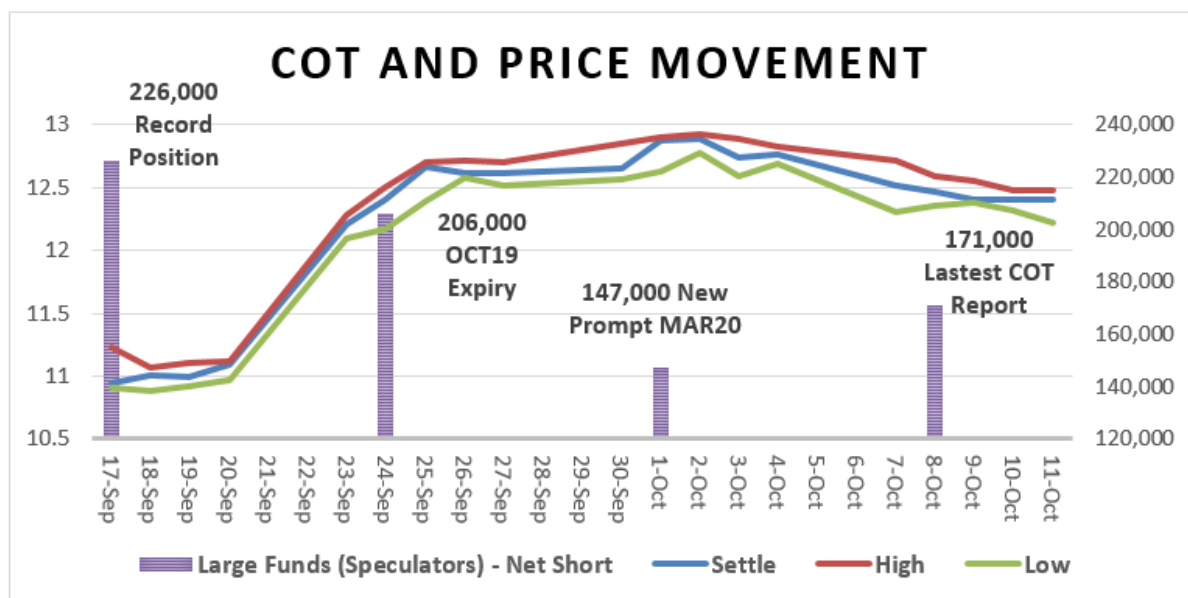
Sugar price movements in c/lb - MAR20



- Brazilian and European weather forecast:** Centre South Brazil is expected to be much dryer in October/December, with the European Union, Russia and Ukraine forecast to be much colder during the same period. If the expected weather plays out, these regions' next crops could potentially be smaller.
- Brazilian production stats:** The latest report from UNICA (the Brazilian Sugarcane Industry Association) highlighted the continuous strength of hydrous ethanol sales. The ATR (Total Sugar Recovered) increased due to dry weather for the second half of September, but was still lower for the season. A total of seven mills have already finished their activities for this season, registering a decrease of 35.36% in their production.

UNICA Results – Centre South Brazil	Accumulated to 1 Oct 2019	Accumulated to 1 Oct 2018
Cane Crushed (million tonnes)	472.802	460.343
Sugar (million tonnes)	21.800	22.334
Sugar Mix (% of cane crushed for sugar)	35.36%	36.33%

- Commitments of Traders vs the Price:** This week I thought that it would be interesting to revisit what was happening in the Commitments of Traders (COT) report three weeks ago. We saw a new record net short position, an expiry delivering "only" 175,000 tonnes of unwanted Central American sugar, and the MAR20 contract assumed the prompt position.

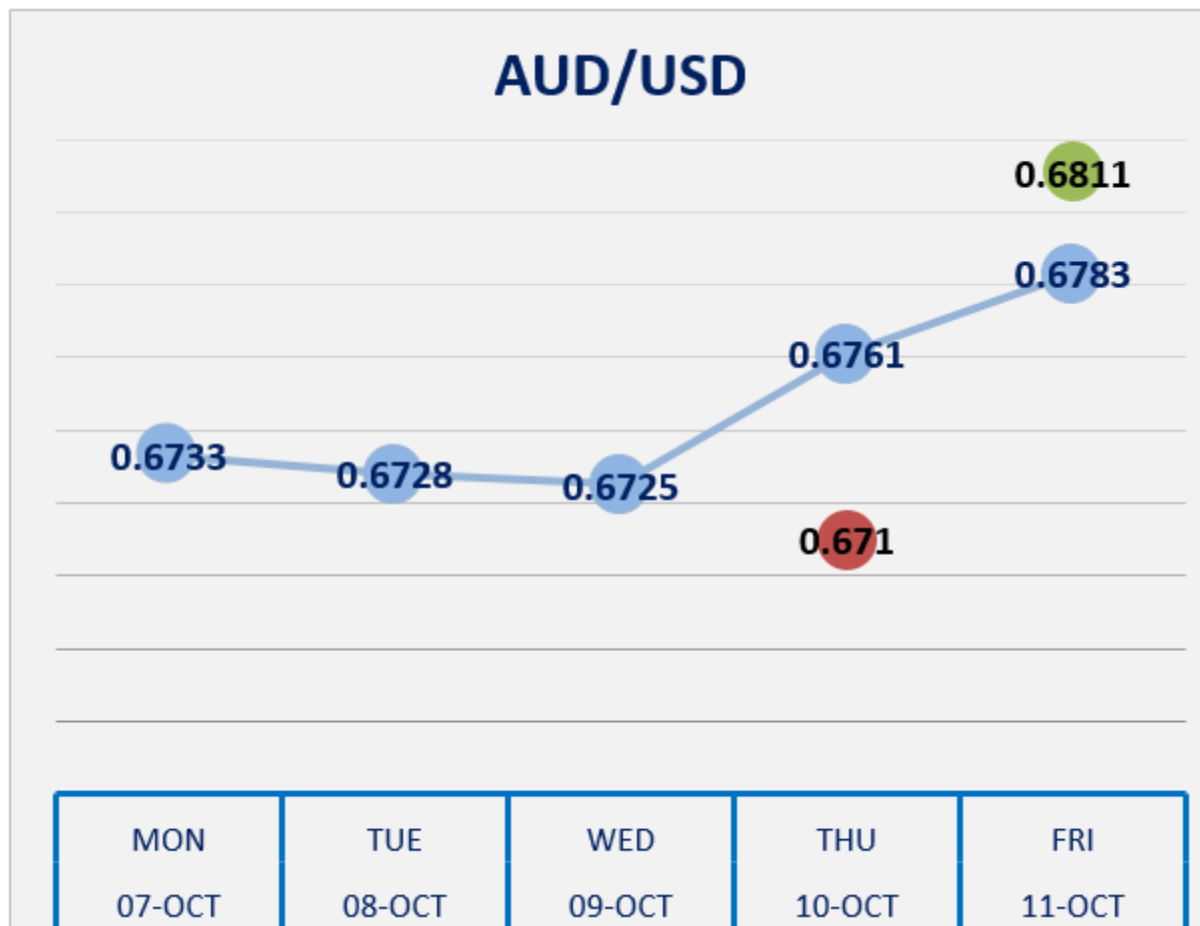


- The chart above demonstrates the relationship between the net short position and sugar prices. When the specs increase their net short position they push sugar prices down. Once a sufficiently large speculator short position is established, market sentiment tends to reverse on the expectation that they'll need to buy this position back later on.
- The latest net short position of 171,000 lots indicates that speculators have begun increasing their net short position in comparison with the

previous week, raising a red flag to the previous bullish market sentiment. Subsequent price movement suggests speculators are still increasing their short position.

CURRENCY

The Aussie Dollar has picked up some steam on the back of US dollar weakness, gaining 50 basis points over the week to close the reporting period at 0.6783. Global risk sentiment has been buoyed due to positive movement in the US and China trade talks and the potential Brexit deal.



The US and China 'Phase One' agreement, sealed by a hand shake on Friday, was enough to lift the mood on risk assets and Emerging Markets currencies, including the AUD. Medium-term impacts are unknown at this stage, given that

an unsigned pact between the US and China is unreliable following 18 months of trade negotiations and tariff escalations.

The 5% extra tariffs on \$250 billion dollars of Chinese goods that was due to commence this week was cut in half. While US President Trump claims he's confident that the deal is moving towards a happy ending, the Chinese government has already announced that more talks are going to be needed before any signing takes place in November.

- **Potential Brexit deal:** UK Prime Minister Johnson and Irish Prime Minister Varadker discussed the pathway to a possible Brexit deal. This was enough to move currency markets, with the Euro and the Pound enjoying gains.
- **This week's calendar:**
 - **Domestically:** RBA Minutes from the October meeting
 - **Abroad:** China's CPI & PPI for September.

HELP AND INFORMATION

If you are confused by any of the terminology in our market updates or would like clarification regarding any of the above, please don't hesitate to contact your local QSL Rep.
