



For week 06 April - 12 April 2020

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Weekly Market Overview

Indicative ICE 11 Prices

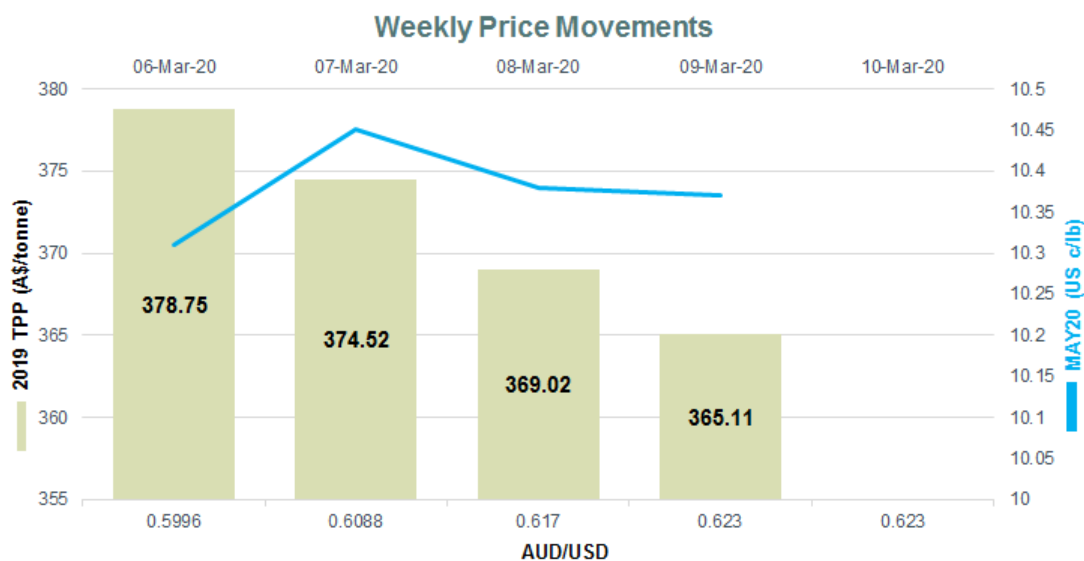
Season	AUD/MT*	Weekly Change
2019	415.32	-1.96%
2020	425.46	-2.07%
2021	435.23	1.43%
2022	443.67	4.99%

**These figures are indicative of available ICE 11 prices as at 6 April 2020 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.*

Sugar

- The MAY20 ICE 11 contract has traded in a narrow and familiar range over the past week. The prompt contract made its high on Thursday at 10.60 USc/lb, low on Wednesday at 10.22 USc/lb, and closed the week at 10.43 USc/lb.
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- Fundamental analysis presents an overall bullish sugar overview, while macro and technical analyses are bearish.
Rhetoric is still circulating around what to expect in Brazil for the upcoming season. Market participants are trying to understand the current supply-demand situation, how the Brazilian mills are going to manage their cash flow in this new scenario of low ethanol consumption, and how these mills are going to be able to maximise sugar production, storage capacity and logistics. CS Brazil estimates its production to be around 37mmt for the upcoming season.
- As expected, OPEC+ agreed to cut back production of circa 10 million barrels, mostly from Saudi Arabia and Russia. Brent oil is still trading around \$30 a barrel, so the deal hasn't brought as much of an impact to the markets as anticipated, and it seems that a greater cut is needed in order to move prices.
- Expiry is looming and we'll soon see only buyers and sellers closing their positions in the ICE 11. The Commitment of Traders report on 07 April shows speculators extended their net short position out to 21,000 lots.



Currency

- The Australian dollar (AUD) started the week (Monday of the reporting period) at a low of 0.5990 AUD/USD, but gained strength over the week reaching its high on Thursday at 0.6368 AUD/USD.
- Markets are watching the COVID-19 curve like a hawk. The market appears to see a light at the end of the tunnel with recent numbers suggesting most countries are 'flattening the curve'. Although it is still early days, the equity markets have risen on the back of this activity.
- Most governments are optimistic and already planning to re-open their economies. The World Health Organisation (WHO) has reported 1,918,138 cases and 123,126 deaths from COVID-19 globally (as of 15 April WHO situation report).
- The USD and Yen have lost popularity and their safe heaven status over the week, giving space to rise to the AUD, EM and EUR.
- Domestically, the RBA has surprised the markets when it released commentary stating if conditions improve, the purchase of bonds would not be necessary.

Jargon Buster

What is Safe Haven?

Safe Haven is an investment that is able to hold or increase in value during times of market turbulence. Investors use safe havens to mitigate their losses.

QSL is Australia's largest and most experienced raw sugar marketer.

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