



12 May 2020

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## Weekly Market Overview

### Indicative ICE 11 Prices

Season	AUD/MT*	Weekly Change
2020	362.82	-7.73%
2021	382.66	-7.36%
2022	391.58	-8.47%
2023	390.80	-9.36%

*\*These figures are indicative of available ICE 11 prices as at the week ending 11 May 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.*

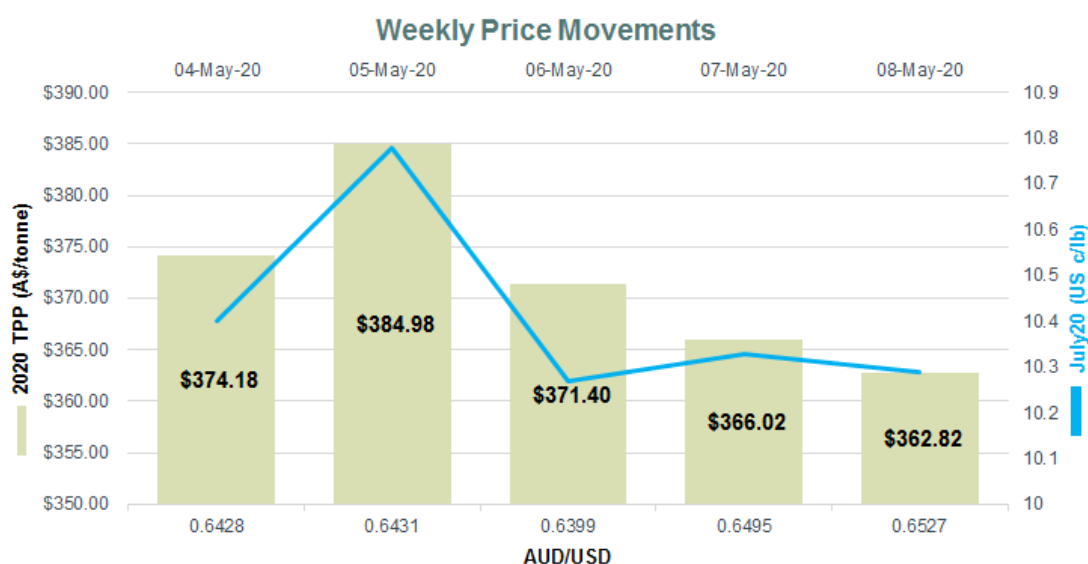
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### Sugar

- The ICE 11 raw sugar price stayed within the 10/11 USc/lb range during the past week, driven primarily by the deteriorating Brazilian economic outlook and continuing low oil prices.
  - Sugar powerhouse Brazil slipped further towards economic crisis with rising COVID-19 infection rates and plummeting confidence in Brazilian President Jair Bolsonaro. The Brazilian Government's failure to provide a clear or coherent policy response for the current health and economic challenges is strangling investor confidence and pushing the currency towards its all-time low of 5.87 against the US Dollar. This favourable exchange rate, combined with ongoing low demand for oil and ethanol,
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continues to drive Brazilian sugar producers towards maximum sugar production over ethanol.

- Ethanol parity currently sits at around 7.72 US cents. While the Brazilian government has recently mooted import duties on oil and a tax break on ethanol at the pump, neither has yet been approved and in any case is unlikely to have a significant impact on ethanol parity. At most, optimistic analysts feel the changes could lift ethanol/sugar parity to 8.50, but such policy changes are more likely to set a floor than propel sugar to higher prices.
- Speculators reduced their net-short position to 48,000 lots on the recent move towards 11 cents. However, that appears to be the upper end of a 9-11 USc/lb range that is generally being touted among analysts for the ICE 11 in the short to medium term.



## Currency

- The Australian Dollar remained firm during the reporting period, tracking around the 64/65 US cents mark, thanks primarily to elevated risk appetite as well as Australia's relatively more positive post-virus economic outlook in comparison to that of the G10 (see our Jargon Buster) and other international economies.
- The real risk for the AUD is what happens next with a delicate relationship between the US and China. After acrimonious negotiations,

these countries had a new trade agreement agreed in-principal at the start of the year, but subsequent allegations regarding China's role in the current COVID-19 pandemic have seen that relationship take a turn for the worse. As a result, China has now indicated it wishes to revisit and renegotiate the agreement, bringing US/China trade tensions back to the table. If this continues or escalates, it will weigh on the Aussie Dollar.

- While a recession appears inevitable, Australia seems to have sidestepped the level of economic devastation suffered by many other nations. As we begin to emerge from the recent pandemic lockdown and work to transition to economic recovery, hopes are gathering for a smaller recession than the worst-case scenarios originally feared. That optimism is supporting our currency and positioning the bottom end of the AUD's range at around 60 cents. However, those levels could be tested over the next couple of months as we brace for a second wave of COVID-19 infections, and the US/China trade rhetoric increases.

## Jargon Buster

### What is the G10?

The G10 is a group of 11 nations with similar economic interests which meets to consult, debate and cooperate on international financial matters. The member countries are Belgium, Canada, France, Germany, Italy, Japan, the Netherlands, Sweden, Switzerland, the United Kingdom, and the United States.

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