



9 June 2020

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## Weekly Market Overview

### Indicative ICE 11 Prices

Season	AUD/MT*	Weekly Change
2020	388.60	4.50%
2021	393.16	2.56%
2022	393.09	2.06%
2023	390.44	2.74%

*\*These figures are indicative of available ICE 11 prices as at the week ending 8 June 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.*

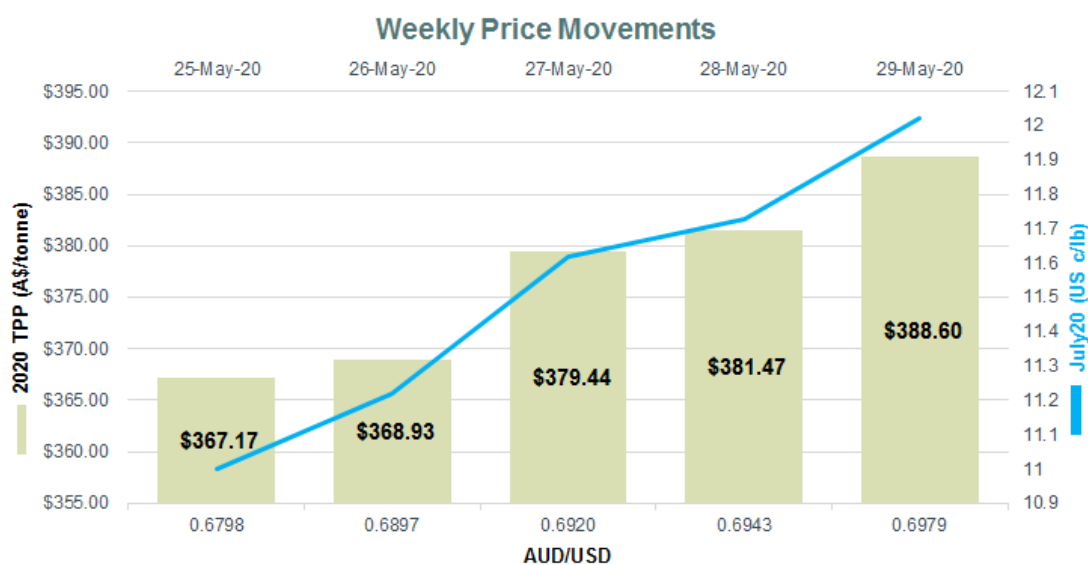
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### Sugar

- Raw sugar futures soared during the past week. After bouncing around the 11 USc/lb mark, the ICE 11 prompt contract made six consecutive gains to charge to 12 USc/lb.
  - The strong rally has not come from sugar fundamentals but on the back of a number of macro-economic factors, including higher crude oil prices (now back at US\$40 per barrel) a strengthening Brazilian Real, and an increase in global equities.
  - Brazil's ethanol parity has also risen to over 10 USc/lb.
  - While the raw sugar price remains 200 points above ethanol parity, Brazil looks set to continue to maximise sugar. As lockdowns are released and more cars get back out on the road, we expect to see demand for ethanol increase.
  - Concerns regarding whether Brazil will be able to continue to deliver sugar during the COVID-19 pandemic are starting to subside but haven't completely faded. The queue
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for vessels to come into port in Brazil currently sits at about 30 days, but the ports are working well for the moment with no COVID-related problems reported as yet. More than 50% of the world's sugar is shaping up to come from Brazil this year, so the outlook of the market seems to rely on how well Brazil copes over the next few months.

- The monsoon in Thailand has started well, with heavy falls across cane country giving rise to hopes for a decent crop recovery for next year. While it's still too early to tell the full impact on the coming crop, Thailand has exported 75% of its raw stock already, adding pressure to the white sugar market as refiners look for sugar.
- We are now three weeks out from the July 2020 expiry and sugar options (puts and calls) started to roll their positions this week. QSL growers are reminded the Pricing Completion Date for the July 2020 contract in the Individual Futures Contract and Self-Managed Harvest Pool is 15 June. Any unpriced 2020-Season Target Price Contract tonnage still remaining after 22 June will be rolled to the October 2020 contract and costs may apply.



## Currency

- The Australian Dollar continued to strengthen over the week. An increase in risk appetite and investor optimism as we come out of COVID-19 lockdown saw the Aussie currency bouncing off 70c-highs to finish the week just below at 0.6970 against the US Dollar.

- Impressive gains were seen across global equities, with risk appetite helped by an extremely upbeat US payrolls report for May which printed an increase of 2.5 million jobs. That was up from 20 million job losses in the previous reporting period and was well ahead of the 7.5 million job losses expected, with the unemployment rate falling from 14.7% to 13.3%. However, there's doubt regarding the accuracy of these latest unemployment figures as they class those who have lost their jobs but are receiving the US Government's PayCheck Protection Program as employed. As a result, we won't have a clear indication of unemployment levels until the US re-opens from lockdown and we see who really has a job.
- Crude oil rallied 11% over the week and the likely extension of oil cuts into July will continue to provide support for oil.

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## Jargon Buster

### What is BRL?

BRL, or the Brazilian Real, is the official currency of Brazil. BRL fluctuations can have an impact on commodity markets, including sugar.

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

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