



QSL MARKET UPDATE



16 June 2020

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Weekly Market Overview

Indicative ICE 11 Prices

Season	AUD/MT*	Weekly Change
2020	393.24	1.19%
2021	394.09	0.24%
2022	382.98	-2.57%
2023	369.32	-5.41%

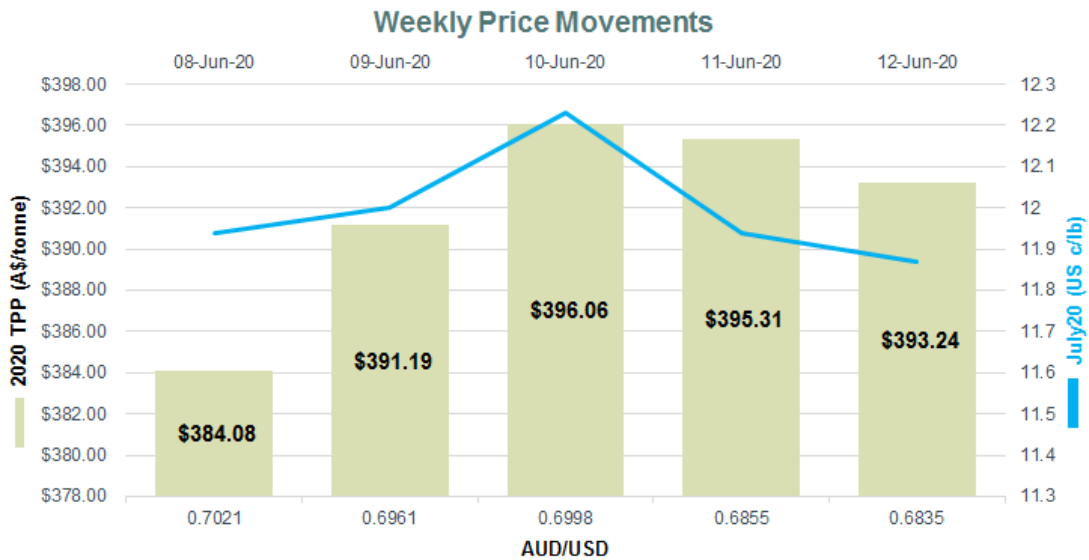
**These figures are indicative of available ICE 11 prices as at the week ending 15 June 2020 and reflect the weighted average AUD/mt price. The prices have been adjusted to include Over-the-Counter margin fees charged by banking institutions and so may differ from daily prices quoted by the ICE 11 Exchange 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.*

Sugar

- Macro-economic events rather than sugar fundamentals continued to be the primary driver of sugar prices during the past week, with prices peaking at 12.27 USc/lb on Monday, before slipping to 11.60 USc/lb on Friday and closing last night's trading session at 12.04 USc/lb. This week also saw the unusual 'Doji Star' phenomenon occur

- a Japanese market analysis term for when the market opens and closes at the same level (see our Jargon Buster for more details).
- Oil prices fell to \$US36/barrel last week before climbing to \$US39 last night. Ethanol parity is currently around 10.30 USc/lb in sugar terms, while the Brazilian currency (BRL) has weakened slightly over the week, moving back over 5 reals (the basic monetary unit of Brazil) per US dollar to finish last night's session at 5.15.
- The volatility associated with the coming ICE 11 July 2020 contract close has subsided following the expiry of options last week (i.e. the last day for the holders of an option for the July 2020 contract to exercise it). The July20 contract deadlines for QSL's Individual Futures Contract and Self-Managed Harvest pricing options have now also passed, with growers in our Target Price Contract reminded that any unpriced 2020-Season tonnage in this product will be rolled to the October 2020 contract after Monday 22 June and costs may apply.
- Risk-on sentiment (when the market is optimistic about the economic outlook and riskier commodities and stocks become pricier) is now starting to reverse, as COVID-19 infection rates increase in centres including Brazil, some US states (California, Florida), China and India, prompting growing fears of a second wave. While the US leadership is talking their infection rates down, investors around the world are getting nervous.
- Increasing COVID-19 infection rates in Brazil and ongoing shipping queues at their sugar ports continue to keep the market laser-focused on the sugar-giant's ability to get its crop to market. Elsewhere, the monsoon is off to a good start in Thailand, with the nation's cane farmers to receive a bailout to help them recover from last season's crop failure. Indian farmers are also lobbying government to improve

their domestic price, with no further word yet of any additional export subsidies.



Currency

- The Australian Dollar (AUD) has continued to outperform other global currencies, jumping nearly 200 points in the last 24 hours, trading from a floor of 0.6777 against the US Dollar to close at 0.6950 this morning
- The US Federal Reserve last night unexpectedly announced a new Secondary Market Corporate Credit Facility to support credit to large employers by providing liquidity for outstanding corporate bonds. This announcement emboldened investors to re-enter risk positions they had exited over the past week, prompting a sell-off of US dollars against all major currencies and sparking the latest AUD rally.
- Much like the sugar market, fears of a COVID-19 second wave are currently the major driver in currency markets, with the end of lock-

downs in some economies offset by increasing coronavirus infection rates, so we anticipate choppy trading conditions for the time-being.

Jargon Buster

What are Japanese candlestick charts?

These are a form of technical analysis popular in Japan and used to describe price movements of a security, derivative or currency. Each day's trade is captured by a 'candlestick', with a white candlestick the term for when a market closes above the price where it opened, a black candlestick used to describe where a market which closes below the level where it opened, and a Doji Star candlestick present where the market closes at the same level it opened.

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

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