



21 July 2020

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Weekly Market Overview

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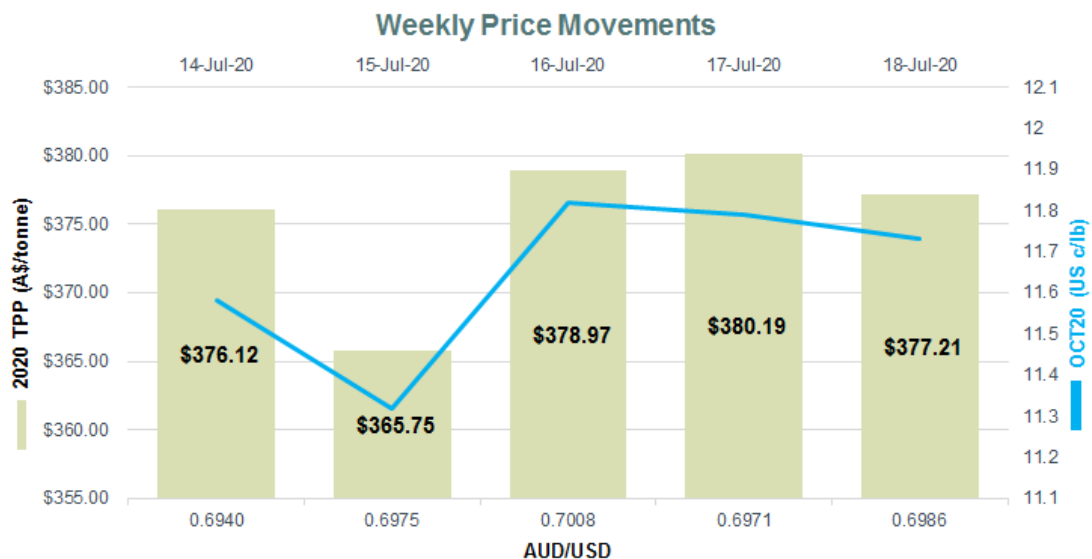
Indicative ICE 11 Prices

Season	AUD/MT*	Weekly Change
2020	377.21	-0.99%
2021	378.07	-0.50%
2022	373.29	-0.06%
2023	365.12	0.28%

*These figures are indicative of available ICE 11 prices as at the week ending 20 July 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 sugar market was dull and directionless during the past week, with prices still trapped in the familiar range of recent months. The October 2020 ICE 11 prompt contract was unable to break 12.30 USc/lb due to significant technical resistance, with a low of 11.27 USc/lb for the period.
- While the market waits for fresh fundamental news before deciding which way it's going to turn, general sentiment is becoming increasingly bearish in light of a large Brazilian crop. Brazil is currently on track to produce 36-37 million tonnes of sugar this year, resulting in a global surplus that most analysts have pegged at around 4-5 million tonnes. The attractive white sugar and physical premiums enjoyed earlier this year continue to fall, also adding to bearish sentiment.
- The Indian Government has announced a 2000-Rupee increase to the domestic price for Indian sugar producers. However, the market appears to be taking this news with a pinch of salt, as it is currently outside of Indian production season and so its impact won't immediately be seen. The market appears more interested in any potential Indian export subsidy for the coming season, which, if replicated at previous levels, would lead to an export parity of around 13 USc/lb – that would be required before encouraging more Indian exports. This will reinforce the upper bound to our current trading range forecast, which we see as 11-13 c/lb.
- There was no significant change this week to the Brazilian/US exchange rate, with the Real remaining steady against the USD at 5.33. It was the same story for oil which also reported no major week-on-week change, closing the period at \$US43 per barrel.
- Volumes traded on the ICE 11 were the lowest they've been all year, reflecting little interest from the speculators. They closed the week down 10,000 lots at 72,000 lots net long, and we expect more of the same until there's fundamental or technical news to break this cycle.



Currency

- The Australian Dollar continued its strong uptrend this week, breaking the 70 US cents barrier last night to hit the 70.35 mark this morning.
- It appears investors remain numb to concerns around the growing second-wave of COVID-19 infections, both at home and globally, as central banks around the world throw cash lifelines to a slew of major economies and drive wider bullish sentiment. Equities remain steady, as do iron ore prices, which are providing key assistance to the AUD. Optimism regarding the Euro and ongoing fiscal support for those economies is helping it to strengthen against the US Dollar, supporting a wider weakening US Dollar theme.
- With Coronavirus cases rising in Victoria, the next couple of days will be key data points for trends around whether the current lock-down is starting to bring this latest outbreak under control. The market does not appear too worried about the Victorian situation yet, but any increase in transmission rates in New South Wales could prompt concerns, so the next few days will be critical in that space.

Jargon Buster

What is a 'derivative'

Derivative is a financial security with a value that is derived from an underlying asset or group of assets, such as stocks, bonds, commodities, currencies, interest rates and market indices.

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