



7 July 2020

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Weekly Market Overview

Indicative ICE 11 Prices

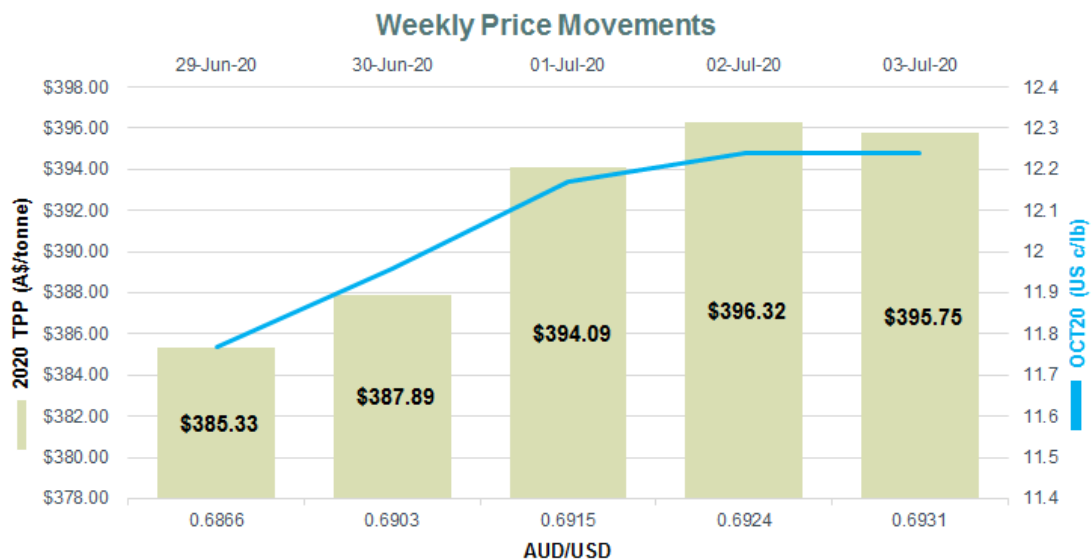
Season	AUD/MT*	Weekly Change
2020	395.75	4.01%
2021	387.98	2.06%
2022	378.65	0.94%
2023	367.07	0.05%

**These figures are indicative of available ICE 11 prices as at the week ending 6 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

- Last week saw some good gains on the ICE 11 before the market slipped back to almost where it began, closing this morning at 11.93 USc/lb for the prompt contract. The July contract expiry finished at 11.84 USc/lb – a narrow spread to the October 2020 contract. It brought a relatively small delivery to the tape of 250,000 tonnes, all of Brazilian origin. This was to be expected following the massive delivery against the May 2020 contract, with the backlog of deliveries for this reducing but still being worked through.

- Raw sugar prices continue to be dominated by macroeconomic factors, including COVID-19 and its impacts on economic activity and oil/ethanol demand. The general market outlook appears uncertain, with low volumes being traded and many general speculators sitting it out if they can. In particular, market focus remains on how Brazil, the USA and India deal with the unfolding pandemic and its implications.
- Thanks to an attractive exchange rate with the US and reduced ethanol demand, Brazil is maximising its sugar mix and dominating current global production. Around 46% of their cane crop is now being directed to sugar production, with the vast majority of this exported out of the one Brazilian port. As the nation struggles with rising COVID-19 infection rates, this single-origin surplus does give disruptive events like bad weather or supply chain breakdowns the potential to lead to a sugar price spike.
- Sugar consumption remains a significant factor in current pricing levels, dropping for the first time in a decade. After consistent growth of 1-2% each year, we're now expecting a decline in global consumption of 1-2%, with some refiners flagging a dip in demand for quarters three and four of this year.
- The Indian cane crop is looking better following rains, but recent flooding and now concerns around locust damage are tempering optimism. The rains have also been good for the new Thai crop. After a drop in production of around 40% in the past season, forecasts for the coming season currently sit at 8.5-9 million tonnes of sugar, with around 3 million tonnes of that earmarked for export (roughly half of previous levels).
- Physical premiums have fallen a little over recent weeks but remain strong, driven by the Thai crop shortfall noted above. Returns for white sugar remain strong, incentivising refiners.



Currency

- The Australian dollar (AUD) is still one of the best performing currencies under the COVID-19 pandemic but remains vulnerable to US/China trade tensions. Australia's own relationship with China is a flashpoint, and while strong iron ore prices have been supportive of the AUD, our frosty relations with Beijing are a risk factor.
- Relative to other countries, Australia's handling of COVID-19 has been strong and as a result, it's expected to have a shallower impact on our economy. This continues to buoy the AUD and keep it sticky to the 70 US cents level.

Video update

Want to know more about what's happening on the market? [Click here](#) to watch our latest Market Update video with QSL Manager Marketing and Logistics, Andrew Phipps.

Jargon Buster

What are premiums?

A premium is an additional amount of revenue negotiated in a sugar sales contract that is not related to the ICE 11 or ICE 16 sugar price.

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

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