



30 June 2020

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Weekly Market Overview

Indicative ICE 11 Prices

| Season | AUD/MT* | Weekly Change |
|--------|---------|---------------|
| 2020 | 380.51 | -4.23% |
| 2021 | 380.15 | -1.96% |
| 2022 | 375.12 | -1.90% |
| 2023 | 366.90 | -1.99% |

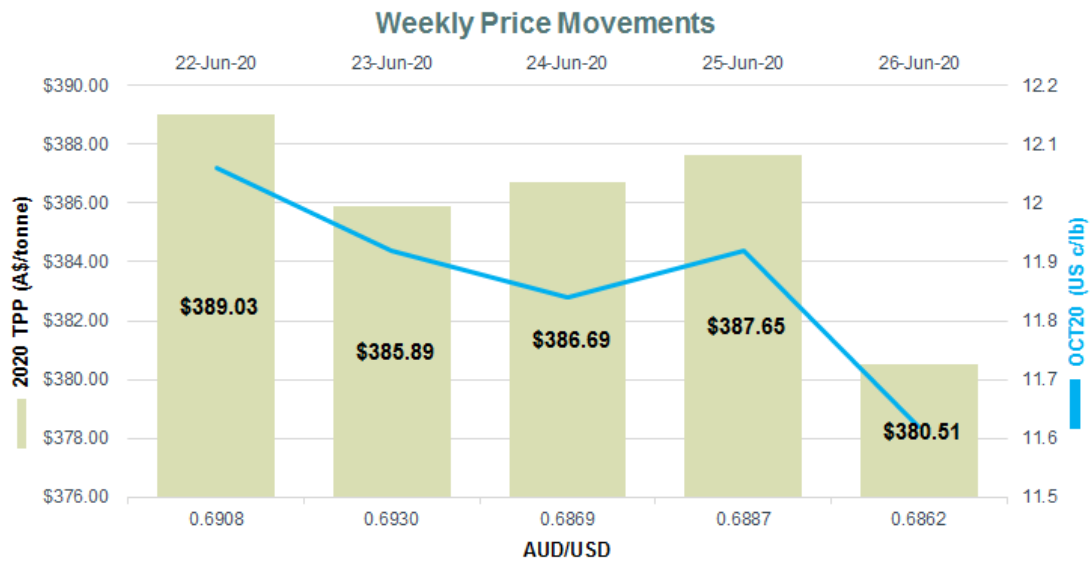
**These figures are indicative of available ICE 11 prices as at the week ending 29 June 2020 and reflect the weighted average AUD/mt price. The prices have been adjusted to include Over-the-Counter margin fees charged by banking institutions and so may differ from daily prices quoted by the ICE 11 Exchange 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

- There was no significant change to sugar fundamentals during the past week. While it's clear that the concerns around a second wave of

COVID-19 are starting to grow, reaction from the market has so far been benign. Increased testing rates seem to be dampening the market's reaction and it looks set to remain largely unphased until more tangible economic impacts, such as national lockdowns, increased COVID-19 hospitalisation rates and/or negative data can be seen. And while the current spike in COVID-19 infections in Victoria is dominating our domestic focus, it's not a major concern in the wider scheme of things with increased virus rates in many US states grabbing plenty of attention and prompting concerns that any kind of US recovery is further down the track.

- Raw sugar prices shifted slightly lower during the week, breaking out of the upward trend channel we've seen since late April. We're now experiencing more sideways price movement in the middle of the broader 11-13 USc/lb price range we expected, with price activity generally rudderless and vulnerable to macro-economic sentiment.
- The Commercial sector (Buyers and sellers of physical sugar) are currently hedged at record levels for this time of year, which suggests price activity will be limited and driven by the speculators. This spec activity is largely a reflection of where the oil price is and looks set to continue for the short term until there is a fundamental change in the outlook.
- Good rains have boosted both the Indian and Thai sugar cane crops, with some analysts now placing the Thai estimate at 9 million tonnes. This sort of Thai recovery is likely to weigh on the outlook for Quarters 1 & 2 next year, with the potential to stretch beyond that.
- The Brazilian Real has depreciated further to 5.4 US Dollars but with around 90% of the Brazilian crop already hedged this weakness is manifesting itself in the 2021 and 2022 seasons where Brazil mills have capacity to price. Beyond the July20 delivery window, physical tightness as well as demand for white sugar has slowed, causing premiums to soften as a result.



Currency

- Like sugar, the Aussie dollar has broken the upward trend we've seen since April, grinding lower over the past couple of weeks. It remains twitchy and vulnerable to 'headline' risk, particularly around the current dominant macro-economic themes of COVID-19 and US/China trade tensions.
- Recent comments from US Treasury chief Steven Mnuchin suggesting the US/China trade deal could be off sparked a strong reaction from the market, prompting the Trump government to quickly confirm the Phase 1 agreement was still on. These tensions are expected ramp up as we head towards the US election, with both the US and China looking to use the negotiations as a political tool. A Democrat win in November is generally considered a negative for US Dollar strength, with Democratic Presidential candidate Joe Biden expected to unwind some existing corporate tax cuts and revisit trade ties should he be successful in his bid for the Oval Office.

- While tensions between Australia and China remain elevated, they are not expected to impact our economic outlook unless China moves to target our iron ore and coal exports. The Aussie Dollar looks positioned to slip lower in the current macro environment, but our relatively rapid economic recovery should come into play and help push it back above 70c against the US Dollar later this year or early next year.

One-on-one chats with one of our team

If you'd like to have a one-on-one marketing session with one of our experienced QSL Marketing Team members, just let your local QSL Grower Services rep know and they'll pass this on to the team. This is just one of the ways QSL can provide you with up-to-the-minute information on what is influencing the sugar price and currency activity.

Jargon Buster

What are 'sugar fundamentals'?

Relating to the value of the ICE #11 sugar market, fundamentals are factors which affect the physical supply and/or demand of sugar in the world, which then subsequently affects the price of the ICE #11 (world raw sugar market price).

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

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