



5 August 2020

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Weekly Market Overview

Indicative ICE 11 Prices

Season	AUD/MT*	Weekly Change
2020	395.29	8.38%
2021	385.91	3.94%
2022	373.83	1.05%
2023	360.65	-1.42%

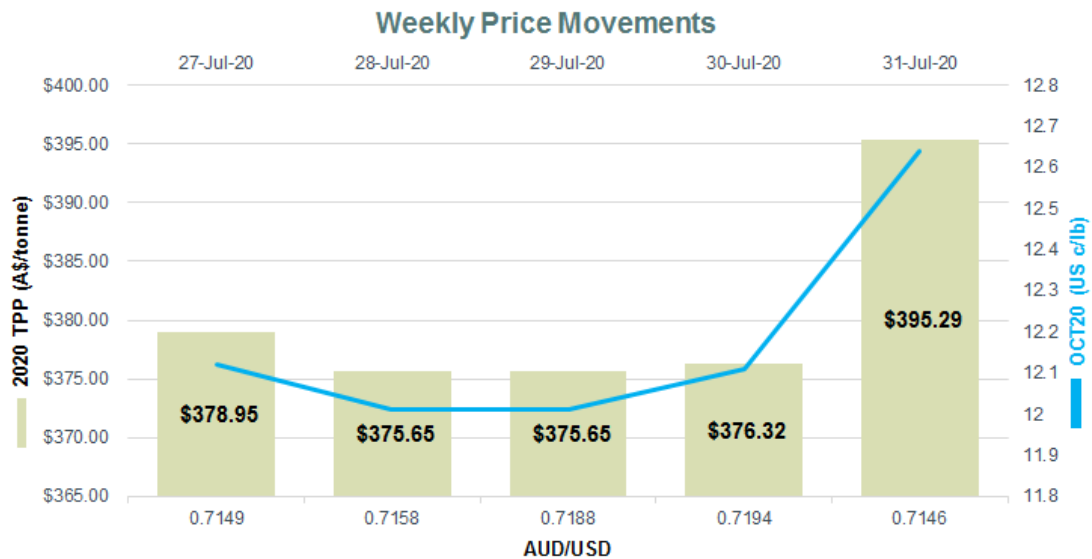
*These figures are indicative of available ICE 11 prices as at the week ending 3 August 2020 and reflect the weighted average AUD/mt price. The prices have been adjusted to include Over-the-Counter margin fees charged by banking institutions and so may differ from daily prices quoted by the ICE 11 Exchange 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

- Sugar traded in one direction over the last week lifting from around 11.50 to a top of 12.80 USc/lb last night. Most of the move has been accredited to a supportive macro environment with broad USD weakness seeing pretty much all commodities make gains. Doubts around Brazil's capacity to export their sugar are subsiding. While there
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is currently a 25 day turn-around for ship loading, it is evident Brazil is getting out what they need to, which is around 2.9 million tonnes a month.

- Early concerns are circulating about a potential impact to the Brazil 2021 crop with a 50% chance of a La Niña (see Jargon Buster) event recently reported in some long range weather outlooks. This would result in a dry and poor season in Brazil and wetter than average in countries like Thailand, India and Australia. There are also increasing concerns around the post-pandemic financial health of some Brazilian mills, with those less solvent at risk of not being able to source financing for operations next season.
 - Speculators increased their net long position to 94,000 lots last week, though given price activity since Tuesday this is likely closer to 120/130,000 on a live basis today (5 August). Any further USD weakness is likely to see the specs continue to build this position.
 - The EU beet crop's outlook is poor with a struggling sugar beet industry plagued with concerns around the yellow virus. The use of the banned pesticide has become a very political subject with government policy around it varying from country to country. Alternative chemicals are being trialled but the full impacts of the problem will not be known until harvest.
 - Indian subsidy: There is a lot hanging on what this will be, with some analysts predicting the largest export subsidy the Indian Government has ever handed out. The market will be keen to hear the announcement due in September/October.
 - Physical demand for sugar is still firm with cash values and white premiums feeding into an increasingly supportive fundamental outlook. An alignment of this and supportive macro environment may provide the recipe for further upside price action.
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Currency

- The Australian Dollar is still holding firm making a high of 0.7220 last week. The Aussie is riding higher on the back of broad-based USD weakness.
- Forecasts for the AUD are creeping up with several marking 75 cents by year-end and even one analyst calling 80 cents by mid-next year. The political and economic risk in the US means this upward trend looks set to continue, which will have a negative impact on Aussie exports and will need to be closely watched.
- COVID-19 pandemic statistics around the world are still climbing; 18.4 million cases and 700,000 deaths. Currently the situation in Victoria is having little to no impact on markets with attention more focussed on offshore issues. Domestic virus numbers are still relatively small compared to other parts of the world and as such the story around the Australian economic recovery still looks favourable. The US is still firmly entrenched in its battle with the virus with Florida and Texas posting consecutive daily death records.
- Negotiations for what the ongoing financial aid package in the US will entail are gridlocked and this is weighing on the US dollar with delays in getting financial aid to the jobless another burden on the embattled economy.

- China/US tensions are still hovering in the background with not much going on outside of minor tit-for-tat policy announcements. While largely ignored for the moment, markets will still remain wary of any further escalation.

Jargon Buster

What is a La Niña event?

La Niña is a coupled ocean-atmosphere phenomenon that is the colder, and drier, counterpart of El Niño, as part of the broader El Niño–Southern Oscillation climate pattern. It is a climate pattern that describes the cooling of surface ocean waters along the tropical west coast of South America. La Niña is considered to be the counterpart to El Niño, which is characterized by unusually warm ocean temperatures in the equatorial region of the Pacific Ocean.

Where El Niño is wet, La Niña is dry.

QSL, Australia's largest and most experienced raw sugar marketer

Where can I get the daily ICE #11 sugar price?

QSL publishes the daily ICE #11 raw sugar price direct to your mobile phone by text message (SMS) by request, on your QSL App and on the QSL Facebook page. You can also receive the QSL Daily Price email or find it on the home page of the QSL website. Call your local QSL Grower Services team for more information about any of these.
