



16 September 2020

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Weekly Market Overview

Indicative ICE 11 Prices

Season	AUD/MT*	Weekly Change
2020	368.55	0.06%
2021	374.50	-0.11%
2022	365.06	1.67%
2023	363.15	2.19%

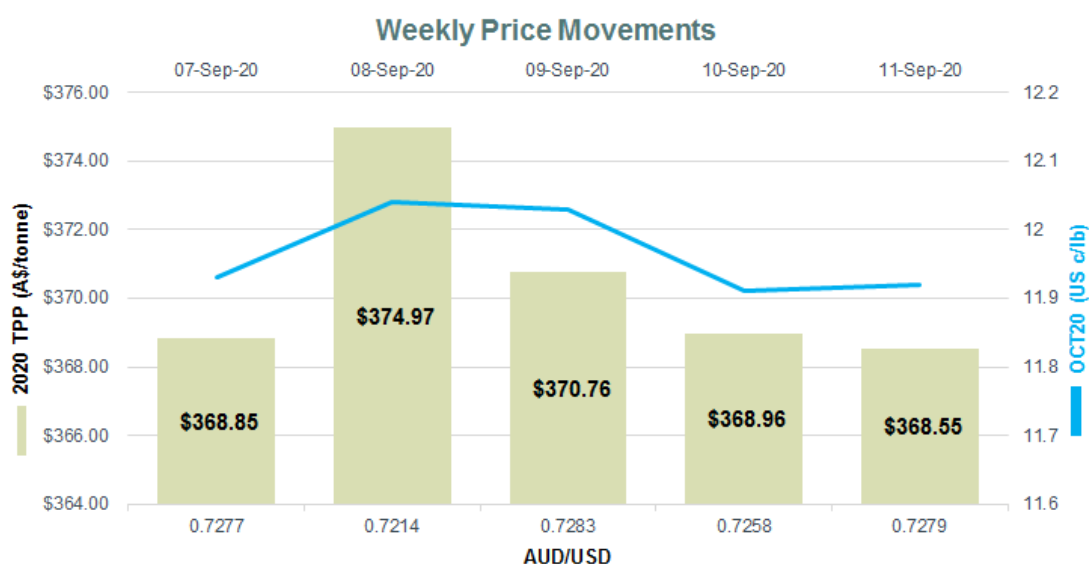
**These figures are indicative of available ICE 11 prices as at the week ending 14 September 2020 and reflect the weighted average AUD/mt price. The prices have been adjusted to include Over-the-Counter margin fees charged by banking institutions and so may differ from daily prices quoted by the ICE 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 most active MAR21 contract was trapped in a relatively narrow range last week, trading between 12.45 USc/lb and 12.78 USc/lb before closing its most recent at the upper end at 12.71 USc/lb.
- The market appears torn between a positive macroeconomic outlook and an increasingly negative fundamental and technical environment,

with large crops from Brazil and India fuelling a continuing global sugar surplus. Speculators who had previously bought into the sugar market on the back of the improving macroeconomic story are now less confident, prompting some to close out their losses and wind positions back from 191,000 to 159,000 lots net long over the course of the week (Tuesday to Tuesday). It's been a significant pullback, but thoughts are the last 100,000 lots should be stickier given they were entered at level around current prices or lower.

- Brazil remains on track to produce 36-37 million tonnes of sugar this year, with no incentive to switch to ethanol. The crude oil price has fallen to \$US40/barrel, helping to push ethanol parity from 10.60 USc/lb to 10.35 US/clb over the course of the past week. Opportunities for that to creep higher look limited and have taken a further hit on the news that Brazil will temporarily allow tariff-free US ethanol imports into the country, making ethanol production even less attractive for Brazilian sugar cane millers. In return, Brazilian President Bolsonaro is seeking tariff-free sugar sales into the US under trade talks which kicked off this week.
- The sugar market continues to wait for news on the expected India export subsidy, with recent speculation that the Indian government is set to pay around 500 billion rupees in arrears from last year's subsidy program. Optimists are hoping that if this happens the Indian government might be a little less generous with the size of its next export subsidy, but that is currently not a widely held view and has not been priced into the market.



Currency

- The Australian Dollar (AUD) has stabilised at around 73 cents against the US Dollar (USD) over the last couple of sessions, closing this morning at 0.7302. Despite rising trade tensions with China, iron ore remains firm at \$128/tonne, providing a backstop for our currency.
- China released slightly stronger economic data yesterday, reflecting a relatively fast recovery from COVID-19 compared to other economies. In turn, their currency rose against the USD, with our strong ties to China supporting the AUD against the USD as well.
- Risk sentiment has been fairly mixed over the last week or so, torn between optimism regarding COVID-19 vaccine trials and rising infection rates in the UK and Europe as the northern hemisphere heads back into colder weather. The US equities market has also been a mixed bag, with plenty of political risk as the coming US presidential election looks harder and harder to call. If it is a particularly close outcome there seems to be potential for the result to be contested, with President Trump already calling the validity of US postal votes into question. An unknown result and a caretaker government would not be good for the USD and would weigh on economic sentiment in general.

- The Reserve Bank of Australia (RBA) released the minutes of its latest meeting yesterday, and appears marginally more dovish on our currency, indicating the AUD is probably at a fair value for its fundamental drivers but acknowledged that a lower Aussie Dollar would help the domestic recovery. They do not seem likely to intervene in the rates market any time soon. In the US, their Federal Open Market Committee (FOMC) is meeting tonight and will release its new interest rate forecasts out to 2023. This will be watched closely, with any indication that US rates will not be raised set to spark another bout of USD weakness.

Jargon Buster

What does Bullish mean?

Bullish refers to a positive view of the market and the increasing in value of the underlying asset (in our case, sugar). Characteristics of a bullish market are an increase in price and an upward trend. The term 'bullish' stems from the bull who strikes upwards with his horns, metaphorically relating to the movement of the market.

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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.
