9 September 2020 [View this email in your browser]

Weekly Market Overview

Indicative ICE 11 Prices

Season	AUD/MT*	Weekly Change
2020	368.34	-3.99%
2021	374.90	-0.35%
2022	359.06	1.05%
2023	355.38	1.55%

**These figures are indicative of available ICE 11 prices as at the week ending 7 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

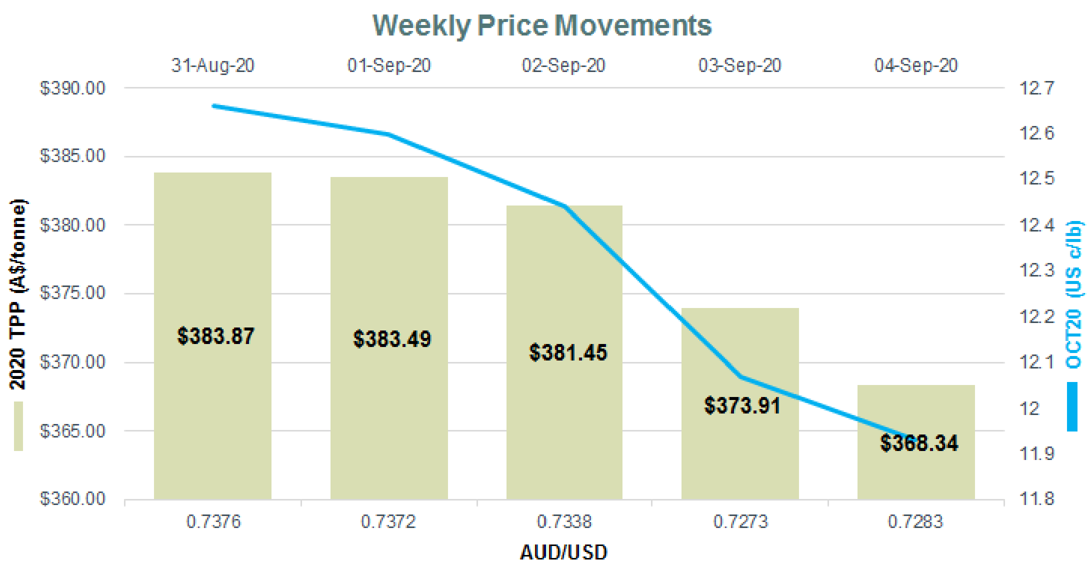
- Market optimism has waned since last week's report, with a drop in equities and US tech shares spilling in to commodity and currency markets. Beginning the week at 12.80, the ICE11 prompt contract saw a rapid reversal over the remainder of the week breaching key support around 12.40 before going on to trade as low as 11.78 last night.

- All signs continue to point to another season of reduced sugar production in Thailand, with recent reports putting the coming crop at 65-70 million tonnes of cane – around half of their 130 million crop two years ago. While this downturn in production is already largely factored into the current raw sugar price and will not prevent the expected global surplus, the hole in production is supporting physical sugar premiums in Asia.

- The prospect of another Indian sugar export subsidy continues to look ominous, as COVID-19 infection rates rise in India and their economy looks increasingly shaky. While there are some questions around how the harvest and export chains could be impacted by coronavirus, the case for using an export subsidy as an economic stimulus appears to be getting stronger. The Indian harvest doesn't start for another couple of months, so there's still a little time for this to play out, but as the Rupee deteriorates the export parity price becomes more attractive for Indian exporters.

- Brazil remains on track for a bumper crop. Their currency strengthened during the past week, slipping from 5.50 to 5.30 against the US Dollar, resulting in less Brazilian producer pricing for the 2021 and 2022 Seasons. This helped move the ICE 11 spreads back towards the more familiar carry structure (see Jargon Buster).

- Market sentiment appears to indicate that the speculators may have gone aggressively long a little too early, and their optimism is not supported by the fundamentals. This led to some weakness in the ICE 11 sugar price during the past week that, while not resulting in an aggressive move lower, is prompting a more bearish outlook. A range of 11.50 - 12.40 USc/lb looks probable for the next week or so unless speculators move to liquidate their long positions.



Currency

- The Australian Dollar dropped 200 points in the last week on the back of a general market correction, closing this morning's session at 0.7214 against the US Dollar. This drop appears to be largely driven by macroeconomic themes, as the fall in equities flowed into currencies.

- Weaker-than-expected Australian GDP figures and the extension of the Victorian COVID-19 lockdown has weighed heavily on the economic outlook in recent trading sessions. This is the first time in recent months that we've seen a domestic issue impact our currency, but we expect the Aussie Dollar to find some support at the 72 cent level against the US Dollar and potentially grind back higher from here.

- Looking ahead, the US election continues to shape as a pivotal event for global markets. Britain's exit from the European Union will also gain more focus as they head towards the end of their transition period on 31 December 2020. Any impact on the Euro as a result could potentially have flow-on effects for the AUD.

Jargon Buster

What is a Carry Market?

A commodity is said to be in **carry** when it is being stored rather than traded. The concept is similar to financial **markets** where this term is called the financial cost of **carry**. In the case of commodities this becomes more obvious since the process of producing and distributing them involves storing them as well. To cover the costs of carrying (storage) the commodity until a later delivery date, the price for futures contracts further out are higher than the price for nearby contracts.

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.