



23 September 2020

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Weekly Market Overview

Indicative ICE 11 Prices

| Season | AUD/MT* | Weekly Change |
|--------|---------|---------------|
| 2020 | 392.07 | 6.38% |
| 2021 | 387.54 | 3.48% |
| 2022 | 369.15 | 1.12% |
| 2023 | 361.90 | -0.34% |

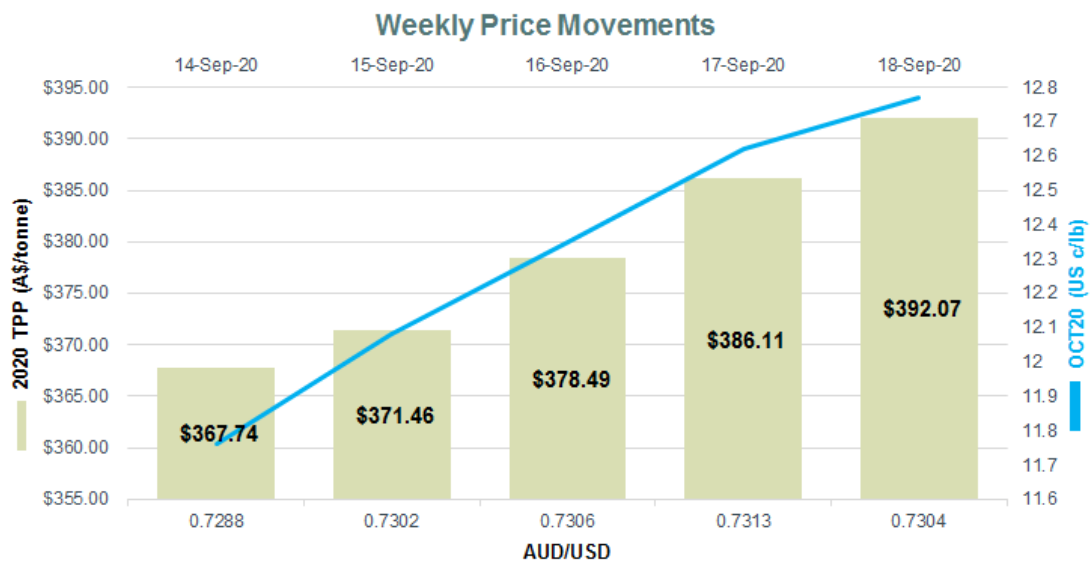
**These figures are indicative of available ICE 11 prices as at the week ending 21 September 2020 and reflect the weighted average AUD/mt price. The prices have been adjusted to include Over-the-Counter margin fees charged by banking institutions and so may differ from daily prices quoted by the ICE 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

- Sugar has enjoyed some upward momentum in recent sessions, sitting around 100 points higher than last week with the MAR21

contract settling at 13.41 USc/lb overnight. This momentum has also improved the technical outlook, with an inverted head and shoulders pattern forming (see Jargon Buster below).

- Although fundamental influences were largely unchanged over the week, we have seen the Oct-Mar spread strengthen over the last few sessions, pulling back to around -50 points. This suggests there may be a receiver willing to take the CS Brazil sugars likely to be delivered to the tape. If we see a large volume delivered and a solid line-up of ships in Santos post expiry this will result in less carryover stocks in Brazil and would likely be considered as constructive by the market.
- The Brazil estimate continues to climb, with many predicting up to 38 million tonnes of sugar being produced this year. Although a similar size cane crop is expected next season (weather dependent) many anticipate a pull-back from the max. sugar scenario we have seen this year. Although higher ethanol production is expected in 2021, Brazil's recent deal with the US for tariff-free US ethanol imports will influence the final sugar/ethanol mix.
- Brazil, Thailand and India have all enjoyed reasonable rains recently, however the impending La Niña risk is one to watch over the coming months.
- A range of 12.5 – 14 USc/lb looks probable in the months leading up to the end of the year, before the market looks to the start of the Northern Hemisphere harvest for price direction.



Currency

- The Australian Dollar (AUD) has pulled back from recent highs of around 74 cents against the US Dollar (USD) down to 0.7130 at time of writing. This weakening seems to be largely driven by weakening macro conditions. However, an indication from the Reserve Bank of Australia (RBA) that they will consider loosening monetary policy with a view to stimulate the economy has certainly played a supporting role.
- With increasing COVID-19 cases in the UK and Europe it looks likely that some form of lockdown will return in that region. This has been weighing on general risk sentiment and the respective local currencies and stimulating recent US dollar strength of late. The AUD, as the star performer among its G10 peers, was always a prime candidate to trade this correction and this has been evident on the pullback.

- In the short term there is scope for the AUD to weaken further, however with the US Federal Reserve also reviewing their monetary policy and political uncertainty mounting as we move towards a very close US election, the AUD could turn higher again. A trading range of 71 – 75 cents for the remainder of the year is considered a reasonable prediction by most.

Jargon Buster

What is a 'head and shoulders' pattern?

The term 'head and shoulders' is used in technical analysis to describe a chart formation with three baseline peaks. The first and third peaks are similar in height and are described as the 'shoulders'. The second peak is the highest of the three and is described as the 'head'. Technical analysts generally consider this pattern to be a bearish indicator. An upside-down or inverted head and shoulders pattern is considered bullish.

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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.

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