



4 November 2020

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Weekly Market Overview

Indicative ICE 11 Prices

Season	AUD/MT*	Weekly Change
2020	443.43	-1.23%
2021	397.80	-3.02%
2022	381.60	-3.97%
2023	363.01	-5.46%

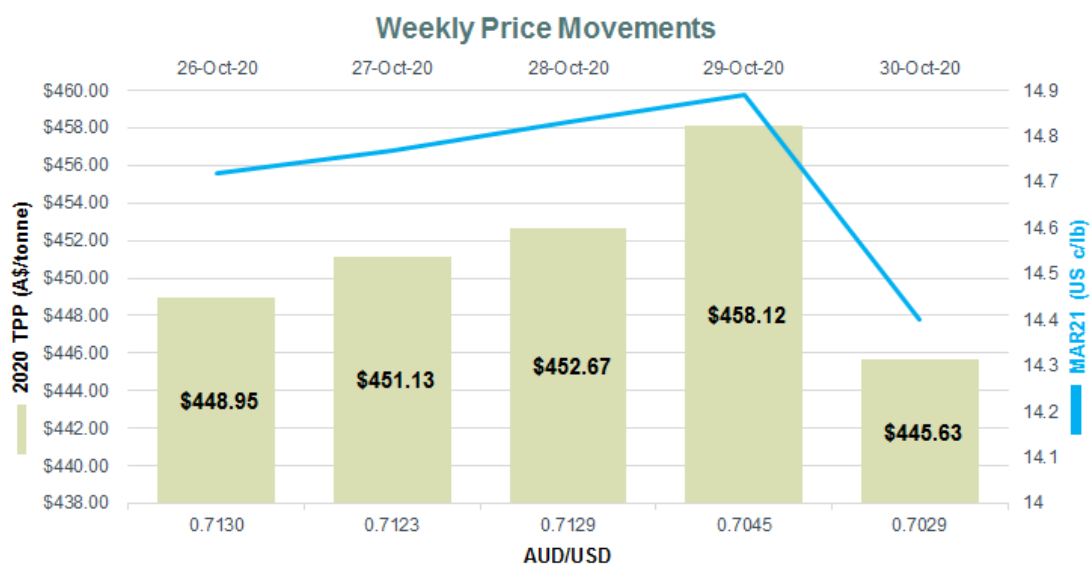
**These figures are indicative of available ICE 11 prices as at the week ending 2 November 2020 and reflect the weighted average AUD/mt price. The prices have been adjusted to include Over-the-Counter margin fees charged by banking institutions and so may differ from daily prices quoted by the ICE 11 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

- Raw sugar prices have experienced increased volatility during the past week in the lead up to the US election, with most activity coming from speculators and system trading at the extreme ends of the trading range. That volatility was also reflected in last night's trading session, with the ICE 11 prompt contract March 2021 moving from 14.97 USc/lb on opening to peak at 15.23 USc/lb before dropping to close at
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14.72USc/lb. This trading environment is expected to remain choppy until the US election outcome is known.

- The spread between the March 2021 and May 2021 ICE 11 contracts continues to widen, and has now pushed out as far as 120 points inverse (i.e. the May contract's price is lower than the March price). This is a result of a lack of Thai and Indian sugar availability causing a massive trade-flow squeeze in the first quarter of 2021, pushing consumers to pay a premium over the May price to get sugar into the March delivery window.
- Despite the macroeconomic uncertainty associated with the US election, the sugar market remains bullish, with the lack of an Indian export subsidy continuing to stoke market optimism. India's Food and Commerce Minister Piyush Goyal announced late last week that the government was not considering an extension of its controversial export subsidy for the new season due to stable international sugar prices. However, the market remains sceptical that a subsidy isn't already in the wings and will be announced should ICE 11 prices drop away.
- In good news for Australian sugar exporters, physical premiums into Asian markets remain strong. The absence of any Indian export subsidy news and the associated reduction in Indian export availability has seen increased levels of Brazilian sugar flow into Indonesia, allowing Australian producers to harvest the freight differential in the premiums they can achieve.



Currency

- The Australian Dollar (AUD) slid closer to 70 cents against the US Dollar (USD) during the past week, before rallying to close its latest session at 71.64 US cents.
- Yesterday's Reserve Bank meeting delivered a reduction in the cash rate target to 0.1 per cent, which was in line with market expectations. Meanwhile they also announced a program to purchase \$100 billion of government bonds of maturities of around 5 to 10 years over the next six months, this being at the lower end of market expectation and prompting a small uplift in the AUD.
- Beyond this, the US election outcome remains the primary source of macro-economic risk and while the market showed plenty of risk appetite ahead of polls closing (AUD pushed up to 72 cents), the subsequent vote counting has been slow and very tight leading to a rapid revaluation of risk, sending the AUD back to 71 cents. It remains to be seen whether Biden has done enough to flip some of the key battleground states and as such, a very close and potentially contested result could be on the cards. The trading environment will likely be very choppy over the next 48 hours until an outcome is known.

Jargon Buster

What is system trading?

System trading is a rules-based approach to trading a market. It generally uses a mathematical system which dictates which trades to make, rather than the trader making a judgment call on the market.

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

Where can I find 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.
