

# QSL MARKET UPDATE

Current as of 18 December 2020.

## Sugar



- Technical-based selling has outweighed the positive macro and fundamental factors in December as the March 2021 ICE 11 contract weakened to lows of 14.09 USc/lb.
- ICE 11 trading slowed right down as we headed into the festive season, with open interest and trading volumes shrinking. The latest commitment of traders report shows funds have liquidated some of their position, now holding a net-long position of 213,000 lots.
- From a fundamental perspective, the Indian Export subsidy has finally been announced, targeting 6 million tonnes of exports with a subsidy of 5800 rupees per tonne. As this is slightly below the 6000 rupee market estimate, we have seen ICE 11 values tick marginally higher. The late timing of the announcement means it is unlikely India will be able to export the full 6 million tonnes before the June monsoons arrive.
- As we go to print, the main fundamental driver for the physical market is Indonesia. Indonesian refineries are waiting for licences to be issued by the government for them to be able to import sugar. Once these are issued, we may see some upward pressure on ICE 11 values as the importers scramble to execute their hedges.
- **ICE 11 trading range going forward:** Broader trading range estimated to be 13.00 to 15.50 USc/lb.
- **Closely watching:** Indian export pace, La Nina weather updates, speculative activity, trading volumes, and overall technical indicators.

## Currency



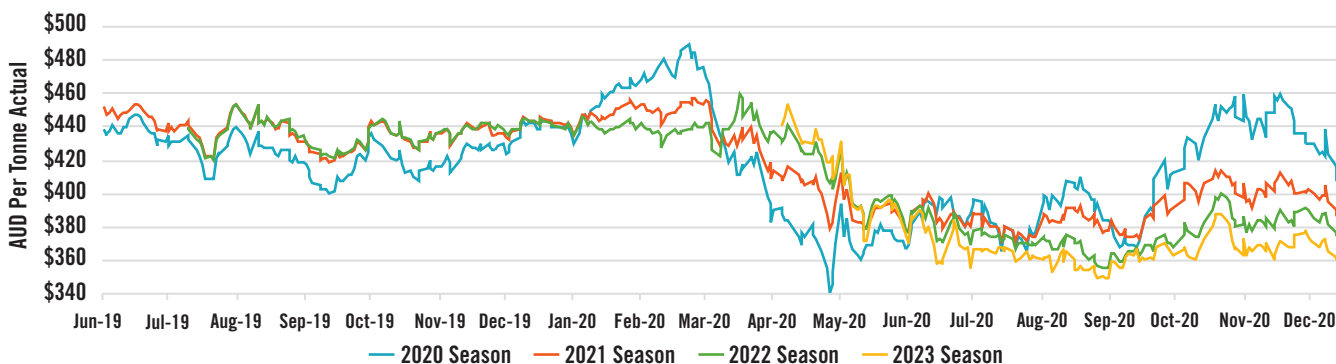
- The Australian Dollar (AUD) continues its relentless grind higher with US equities and commodities continuing to rise higher with positive movements around the COVID-19 vaccine and the first-round releases in the UK and the US. The Australia dollar traded above 75 US cents for the first time since mid-2018, reaching highs of 75.83 US cents.
- Chinese tension still lingers as a political headwind for the AUD. However, with iron prices pushing close to \$150/tonne and that trade flow largely untouched, markets remain pretty unperturbed by the Chinese Government's stone throwing at this stage.
- Most analysts are relatively confident a post-Brexit trade deal will be struck between the UK & the European Union. This should benefit both currencies against the US Dollar, with the AUD potentially getting some spill over.
- Domestically, data flow has been positive, with most major releases better than expectations. Market reaction to these will be minimal while the Reserve Bank (RBA) remains committed to its stance of low rates for the next three years. However, this may change if the RBA becomes uncomfortable with the rapidly strengthening AUD.
- **AUD/USD trading range going forward:** 0.7300 to 0.7800.
- **Risks Ahead:** Australia-China relationships, RBA commentary, COVID-19 news.

## KEY INDICATORS

	18/12/2020	Monthly change
ICE11 Prompt (MAR21)	14.68 USc/lb	-0.53 USc/lb
Brazilian Real/\$US exchange rate	5.08 BRL	-0.31 BRL
Brent Crude Oil	\$US50.76/barrel	+\$US5.8
Ethanol/Raw Sugar Parity	12.53 USc/lb	+0.4 USc/lb
Net Spec Position	213,000 (net long)	-44,000

	18/12/2020	Monthly change
\$AUS/\$US exchange rate	\$US0.7531	+\$US0.0258
\$US Index	90.47	-1.9170
Chinese Yen/\$US exchange rate	6.54 CNY	-0.0206 CNY
S+P 500 Index	3,694.62	+137.08
RBA Overnight Cash Rate	0.10%	0.00%

## RAW SUGAR PRICES



This is a whole-of-season ICE 11 price chart current as of 18.12.20, based on the Target Price Contract's current 5:1 pricing ratio for the 2020 Season and 1:2:2:1 pricing ratio for the 2021, 2022 and 2023 Seasons.

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# QSL GROWER PRICING UPDATE

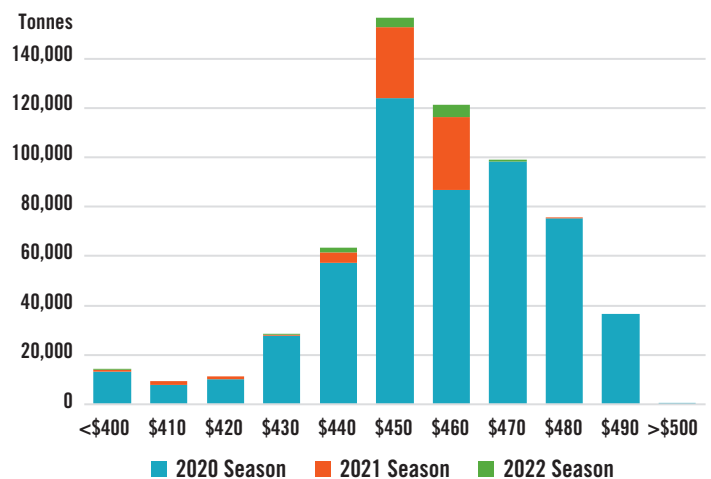


## Grower Pricing



- **New grower-managed pricing option:** The new Grower Floor Price Contract is now live in the QSL App and on the QSL Direct portal, allowing you to target your own 'floor' price to lock in a known minimum return while also receiving 50% of any subsequent prices above your floor. See your local QSL rep or visit [www.qsl.com.au](http://www.qsl.com.au) for details.
- Growers have until 20 April 2021 to complete their 2020-Season Target pricing, with the next roll deadline 22 February 2021. Please note: Growers in MSF Sugar milling districts must complete their 2020-Season pricing by 22 February 2021 unless they have been granted an extension by their miller.
- **Video Market Updates:** QSL's fortnightly video updates provide a 5-minute overview of the latest sugar market and currency news. You can find these on the QSL App or by visiting the QSL Facebook page. The QSL Marketing Team is always happy to answer any questions you may have about the market. See your local QSL team to tee-up a chat with our pricing team or ask a question in the comments section of our Video Market Updates on Facebook.

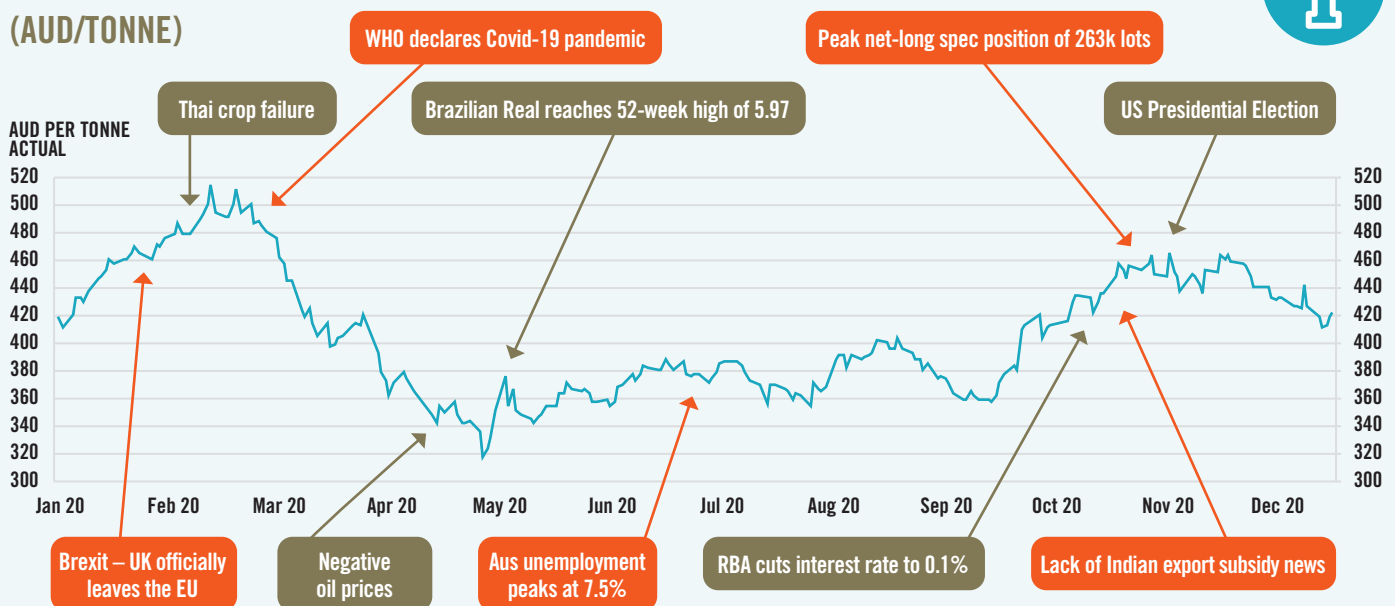
## QSL GROWER-MANAGED PRICING FILLS – 2020, 2021 & 2022 SEASONS



This chart captures all pricing achieved as of 18.12.20 using QSL's Target Price Contract, Individual Futures Contract and Self-Managed Harvest products. Prices quoted at AUD/tonnes actual gross.

## 2020 Recap: The market in review

### ICE 11 PROMPT PRICE (AUD/TONNE)



2020 was a volatile year for raw sugar prices, with many unexpected macroeconomic and fundamental events moving the prompt ICE 11 contract through a \$200/tonne range, from highs of \$514/t to lows of \$318/t. The chart above captures some of the major market influences on the ICE 11 prompt contract from the past 12 months.