



13 January 2021

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Weekly Market Overview

Indicative ICE 11 Prices

Season	AUD/MT*	Weekly Change
2020	437.80	0.07%
2021	401.90	0.32%
2022	373.62	-1.24%
2023	357.28	-1.06%

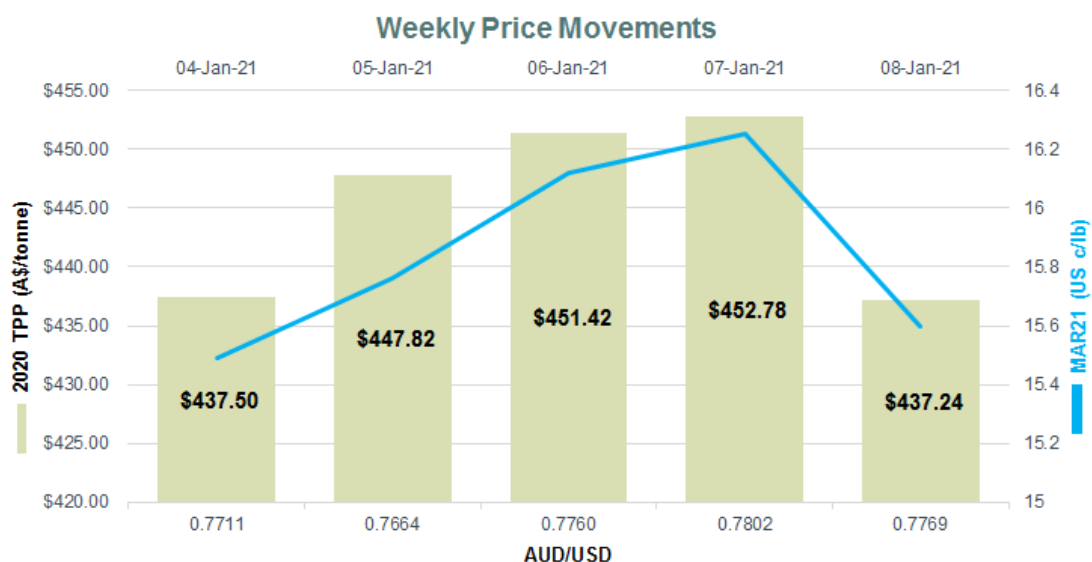
**These figures are indicative of available ICE 11 prices as at the week ending 11 January 2021 and reflect the weighted average AUD/mt price. The prices have been adjusted to include Over-the-Counter margin fees charged by banking institutions and so may differ from daily prices quoted by the ICE 11 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

- It was another volatile week in sugar with price action commencing the new year with a bang and trading above 16 USc/lb for the first time since 2017. The MAR21 position hit a life of contract high of 16.33 USc/lb with the macro environment encouraging funds to deploy risk on the buy side despite there being little change to the fundamental outlook.
- The latest Commitment of Traders (COT) report has increased the speculators' net long position to 247,000 lots, up 37,000 lots. This is likely to result in some significant spec rolling putting bearish pressure

on the MAR-MAY spread as we enter expiry mode next month.

- Oil continues to support the market at \$56 a barrel as tighter supply offsets global virus based demand concern. Saudi Arabia has said it will cut output by an extra 1 million barrels a day for February and March to stop inventory build-up.
 - India's harvest is currently in full swing with producers advancing physical sales and approximately 1.2 million tonnes contracted to date.
 - Thailand remains slow out of the blocks with its harvest. This is in fact the slowest harvest for them in six years.
 - The forecast for Brazil remains dry. Average rainfall is predicted for this month, and while this may offer light relief to some regions after recent dry months, it does not go far enough to address the soil moisture deficit the crop is experiencing due to the severe lack of rainfall during the current La Nina.
 - Expectations of a trading range between 14.50-16.50 USc/lb with buyers seeing value at the lower end of this range. As the market approaches 16 USc/lb it should uncover significant Indian hedging putting a cap on the market for now.
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Currency

- The AUD grinds higher on thin volume while traders around the world are still on leave and while US politics and US yield dynamics continue to drive the market. Chaos on Capitol Hill (meeting place of the United States Congress and the seat of the legislative branch of the US federal government) could not deter the market.
- The AUD is currently trading at 0.7770 after hitting a high of 0.7820 to bring in the new year.
- US President-elect Joe Biden will announce his fiscal stimulus plans which could be in the “trillions” according to Biden. With marginal control of the Senate following election triumph in Georgia last week, the Democrats may push their agenda strongly. This could see more upward pressure on US yields which has been the source of the recent mini recovery in the US dollar (USD).
- The US House of Representatives is expected to meet tonight to vote to impeach (for the second time) President Donald Trump for his part in last week's riots at Capitol Hill. If a majority yes vote is achieved, it will then proceed to the Senate to convict Trump of the charges. Even if this is unlikely to gather much market reaction it will create mayhem in the

republican ranks.

- Iron ore is currently trading at \$167 a tonne, along with a firm commodities complex, will keep the AUD well supported with the medium term outlook retaining an upside bias and 80 cents still within reach.
- The AUD forecast range for the next quarter is 0.7600 to 0.8000 cents against the USD.

Jargon Buster

What is impeachment?

This is the process a legislative body uses to address charges against a government official, such as in the US where impeachment is the equivalent to an indictment in criminal law.

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