



20 January 2021

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Weekly Market Overview

Indicative ICE 11 Prices

Season	AUD/MT*	Weekly Change
2020	464.66	6.14%
2021	418.65	4.17%
2022	377.66	1.08%
2023	359.40	0.59%

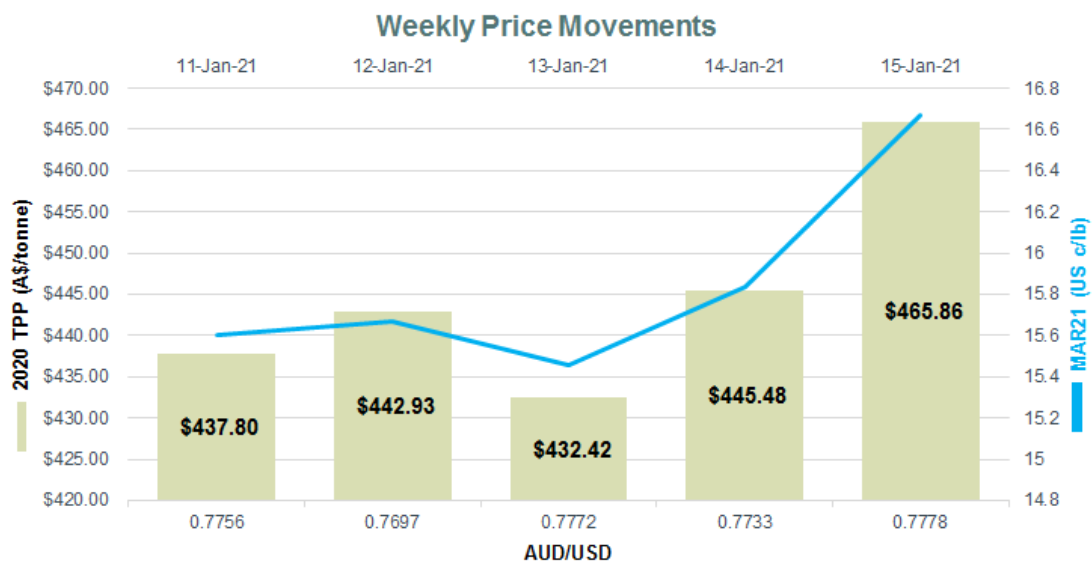
**These figures are indicative of available ICE 11 prices as at the week ending 11 January 2021 and reflect the weighted average AUD/mt price. The prices have been adjusted to include Over-the-Counter margin fees charged by banking institutions and so may differ from daily prices quoted by the ICE 11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

- Trading: It has been a volatile month of trading with lows of 14.28 USc/lb to multi-year highs last week of 16.75 USc/lb against the March 21 prompt position. As a result of this rallying the market has moved nearly 250 points in the last four weeks. Technical indicators are pushing the upper ranges indicating some consolidation is a possibility.

Fundamentals remain stable and increasingly supportive.

- **Investors:** Investor positions are building on the net long position they carried over the festive break. The latest Commitment of Traders (COT) report shows non-index funds decreased their net long position to 234,000 lots on the early new-year dip in the market. Specs look likely to increase their long position closer to 250,000 on a live basis. Meanwhile, index funds are going through their annual portfolio rebalance that is estimated to require some 15,000 lots of shorts resulting in them being the only significant seller in the current market.
- **Fundamentals:** Sugar fundamentals remain positive with a slow start to the Thai harvest and consumer demand still strong out of Indonesia and Pakistan for raw sugar. India is filling some of this demand now the export subsidy is in place. Logistic constraints and quality limitations prevent them flooding the market, resulting in cash values for physical sugar remaining resilient.
- **Brazil:** All eyes remain on the weather as analysts try to determine the size of next year's crop. While reasonable rains have eased some concerns following a dry November, December, more dry weather is forecast for February and March. With this in mind, there is a downside risk on the Brazil crop and with an expected decrease in the sugar mix from last year's maximum, early estimates sit around 34/35 million tonnes of sugar.
- **BRL:** The real weakened to 5.50 over the Christmas period and despite a small pull back to 5.35, the rally last week still provided Brazilian producers with solid hedging opportunities.
- **Oil:** This commodity continues to firm above \$55 per barrel following the agreed OPEC output cuts and Saudi Arabia's unilateral decision to cut their output by an additional 1M barrels per day. COVID-19 related lockdowns in Europe and the US are yet to have any significant impact on demand, however the situation remains fluid.



Currency

- AUD:** Following a significant 4 cent rally in December the AUD has hit the skids since the turn of the New Year. Testing key support at 0.7660 earlier this week, the local unit is currently bouncing either side of 77 cents.
- COVID-19 impact:** As has been the case for the majority of the past year off-shore factors have been the dominant driver for AUD price action. Surging COVID-19 caseloads in Europe and the US, along with reports of some new strains of the virus, has raised some concerns and seen risk appetite tempered slightly. Despite this markets are hopeful the vaccine rollout underway will see the world turn a corner in its battle to beat the virus that has prevented any significant April style sell-off to date.
- US President:** Today US President-Elect Joe Biden will be inaugurated as the new President of United States. Fingers are being crossed that a peaceful transition of power will occur. The first 100 days of a new

President's term are usually closely watched, but this one may be the most important in a generation as Biden will attempt to tackle the virus and re-unite a bitterly divided nation.

- **US Economic Recovery:** First cab off the rank for the new US President will be the next tranche of fiscal support to help enable economic recovery from the virus. The \$1.9 trillion package initially proposed prior to the election has not increased as some suspected may be the case in the result of a Biden victory. Instead, the new administration seeks to put together a package that can be agreed on both sides of the political aisle.
- **New administration:** Former Fed Chair Janet Yellen's first senate speech as Treasury Secretary provided a couple of key insights into the new administration's policy stance overnight. Firstly, she backed away from the former administration's vocalised preference for a weaker USD to gain competitive advantage, instead preferring to leave it for market forces to determine. And secondly, she presented a much more robust tone on US China relations quashing any suggestions that the Biden administration would back away from the ongoing trade dispute. Both issues will be closely watched by markets as they develop over the coming months.
- **Iron ore:** Prices remain elevated at just over \$170 per tonne. This, coupled with a strong commodities complex, more generally lends itself to supporting emerging market FX and the AUD in the medium term.
- **Outlook:** The outlook for the AUD remains biased to the upside albeit we are unlikely to repeat the speed of appreciation seen in 2020 as yield differentials tilt in favour of the US and equity growth tempers. Expectations are we will see the Aussie trade over a 76 to 80 cent range this quarter before pushing further into the 80 cent handle later this year.

Jargon Buster

Who are hedgers?

Hedgers in the ICE #11 market are participants who want to physically buy or sell sugar. They use futures contracts, e.g. the MAR21 contract, to lock in a buy/sell price to protect themselves from the price rising or falling. This is known as hedging their 'price risk'.

Are you getting the daily ICE #11 sugar price SMS?

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.

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