

QSL MARKET UPDATE

Current as of 21 January 2021.

Sugar



- Positive macro-environment trends pushed commodities higher in January, driving the March 21 ICE 11 to a 'life of contract' high of 16.33 USc/lb.
- Despite a new Indian export subsidy, a slow Thai crop indicates a tight supply of sugar in Q1. Q2 looks to be better supplied once the Brazil season begins.
- Oil continues to support the market at \$US56 a barrel, as tighter supply offsets global virus-based demand concern. Saudi Arabia has said it will cut output by 1 million barrels a day for February and March to stop inventory build-up.
- The latest Commitment of Traders (COT) report published a 247,000 lot net-long position held by funds as at Tuesday, 12 January. The flat price of sugar had fallen by around 70 points on that date, which leads to the assumption of a net-long position sitting above 250,000 lots on a live basis.
- Rain in Centre South Brazil has led analysts to believe the crop may not be as bad as initially estimated given the dry weather in late 2020. Early estimates sit at 34/35 million tonnes of sugar.
- **ICE 11 trading range going forward:** Broader trading range estimated to be 14.00 to 16.50 USc/lb.
- **Closely watching:** Indian export pace, La Nina weather updates, speculative activity, trading volumes, and overall technical indicators.

Currency



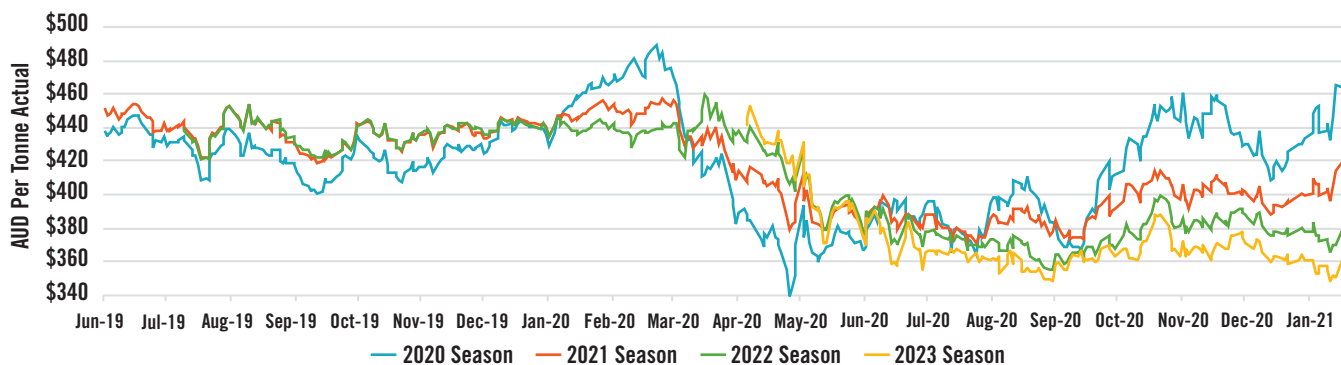
- Following a 4 cent rally over December, the Australian Dollar (AUD) steadied in the new year as it tested key support levels of 76.60 and 76.40 cents against the US Dollar before chopping either side of 77c for the majority of the month.
- Surging COVID-19 caseloads in Europe and the US, along with reports of some new strains of the virus have raised concerns and seen risk appetite tempered slightly. However, markets remain hopeful the vaccine rollout currently underway will see the world finally turn a corner.
- Joe Biden was inaugurated as the 46th President of United States in January. The first 100 days of a new President's term are usually closely watched, but this one may be the most important in over a generation as Biden will attempt to tackle the virus and reunite a bitterly divided nation.
- Iron ore has been trading above \$170 a tonne and this, along with a firm commodities complex, will keep the AUD well supported with the medium-term outlook retaining an upside bias, and 80 US cents still within reach.
- **AUD/USD trading range going forward:** 0.7600 to 0.8000 by the end of 2021.
- **Risks Ahead:** US politics, Australia-China relationships, RBA commentary, virus news.

KEY INDICATORS

	21/01/2021	Monthly change
ICE11 Prompt (MAR21)	16.27 USc/lb	+1.06 USc/lb
Brazilian Real/\$US exchange rate	5.30 BRL	-0.09 BRL
Brent Crude Oil	\$US54.75/barrel	+\$US9.79
Ethanol/Raw Sugar Parity	12.21 USc/lb	+0.08 USc/lb
Net Spec Position	234,000 (net long)	-23,000

	21/01/2021	Monthly change
\$AUS/\$US exchange rate	\$US0.7708	+\$US0.0435
\$US Index	90.77	-1.6250
Chinese Yen/\$US exchange rate	6.49 CNY	-0.0672 CNY
S+P 500 Index	3,768.25	+210.71
RBA Overnight Cash Rate	0.10%	0.00%

RAW SUGAR PRICES



This is a whole-of-season ICE 11 price chart current as of 21.01.21, 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

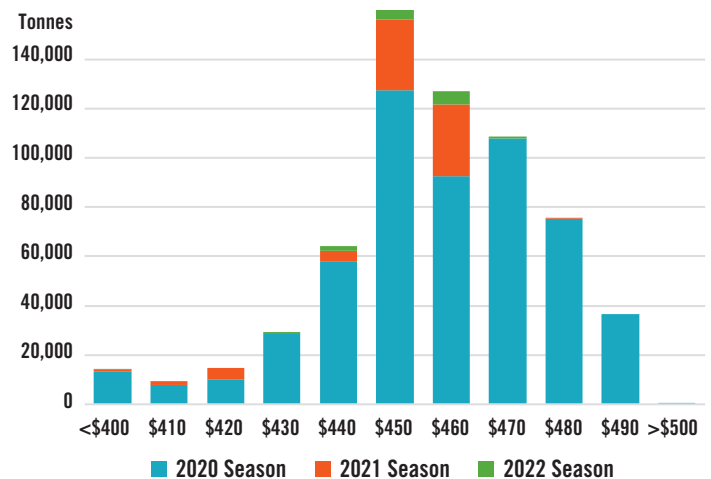


- A recent rally in the sugar price has resulted in some growers' orders being filled at as high as \$A460 for the 2020 Target Price Contract, and \$A475 for the March 2021 Individual Futures Contract.

Important Dates

- **15 February:** The Pricing Completion Date for the March 2021 contract in QSL's Individual Futures Contract and Self-Managed Harvest Contract. Tonnage allocated to this contract that remains unfilled after this date will be priced by QSL at the next market opportunity.
- **22 February:** Last day for growers to achieve remaining 2020-Season targets before their order is rolled and their pricing window is automatically extended. Costs may apply. This also is 2020-Season Pricing Completion Date for MSF Sugar districts – Any unfilled orders after this date are priced by QSL at the next market opportunity.
- **1 March:** 2021 QSL Actively Managed Pool opens for nominations.

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



This chart captures all pricing achieved as of 21.01.21 using QSL's Target Price Contract, Individual Futures Contract and Self-Managed Harvest products. Prices quoted at AUD/tonnes actual gross.

What effect does the US election have on global markets?



The US Dollar has continued to weaken since the announcement US Democrat candidate Joe Biden had emerged victorious over sitting US President Donald Trump.

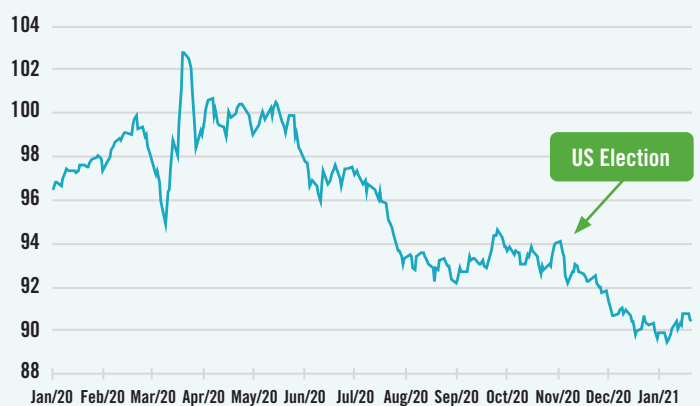
Traditionally, Democrats have tended to increase government spending, particularly when there is an economic downturn, in an attempt to stimulate the economy.

With the current COVID-19 pandemic, Biden looks set to increase spending on relief packages for the US.

Now the 46th President of the United States, Biden has already announced an additional \$1.9 trillion-dollar stimulus package. To fund this spending, Biden may implement progressive taxation by reintroducing higher tax rates on large businesses and high-income earners. These policies and views of the new Democratic government are likely to result in a weakening US dollar (USD) and increasing inflation.

As inflation begins to accelerate, so does the likelihood of an increase in the price of USD-denominated commodities, such as sugar. Commodities are known as inflation-based assets as they tend to increase in value alongside inflation, and therefore act as a natural hedge against inflation. Coupled with low interest rates giving access to cheap money, funds are incentivised to invest in inflation-based commodities.

US DOLLAR INDEX



This US Dollar index graph shows the value of the USD deteriorating throughout 2020 as the COVID-19 pandemic unfolded. There is also a clear drop in early November as the USD weakened at the time of the US election in response to Joe Biden's victory.