



26 August 2020

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Weekly Market Overview

Indicative ICE 11 Prices

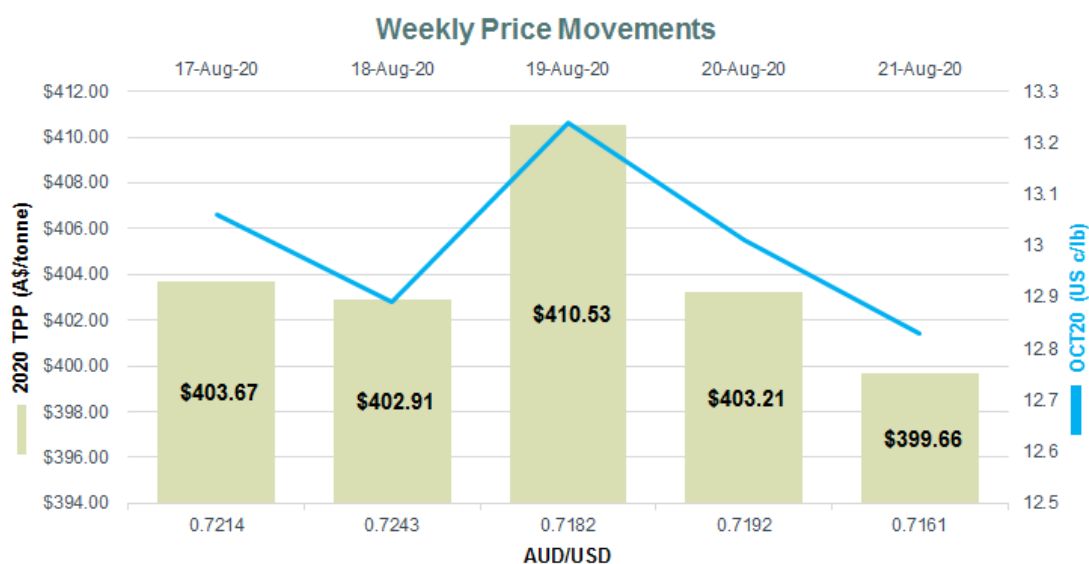
Season	AUD/MT*	Weekly Change
2020	399.66	-1.75%
2021	383.91	-1.85%
2022	360.81	-3.14%
2023	354.04	-1.84%

**These figures are indicative of available ICE 11 prices as at the week ending 17 August 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

- It was a fairly deflating week of trading for sugar which saw a three-session losing streak before steadying the ship during last night's trade. Prices reversed from the Wednesday opening high of 13.26 to an overnight low of 12.60. What happens next will largely depend on what the speculators do next. In the sugar market last week there have been two key drivers:
 - The first is that the specs are still showing a strong appetite to continue buying with a jump in their net long position to 179,000 lots from 152,000.
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- The second development for the week was activity in Brazil with the real slipping to 5.60. The fiscal position appears to be spiralling out of control as the government tries to contend with the economic impacts of COVID-19. Increased spending can only lead to higher inflation and a weaker currency.
- The economic headway made in Brazil prior to COVID-19 and the associated improvement in the BRL has regressed putting a ceiling on prices for 2021, 2022 and beyond with plenty of Brazilian hedging evident over the last few sessions.
- Ethanol parity remains largely unchanged and is still well below sugar at 9.60, so any talk of Brazil switching some of its late season mix across to ethanol looks likely to dissipate as we edge closer to a maximum sugar make of 36-37 million tonnes. Oil remains steady week-on-week at \$45US a barrel.
- Thailand is still on negative watch with their crop estimate currently in the mid-7 million tonne range. The estimate continues to creep lower.
- In China the situation remains murky around import levels and the market appears to be largely ignoring this as it is too risky to trade at this stage.



Currency

- The Aussie trading mostly sideways last week was back at .72 this morning after spending much of the week in the .71 range. This should not be unexpected considering the rally we've seen over the last few months. Price action was getting fairly overheated and needed this sideways movement to remove the overbought status in the market.
- The key catalyst for this movement seems to be the growing COVID-19 caseload in Europe as they head back from summer holidays to work and school. The impact of a second wave is beginning to show up in European data, weighing on the Euro US dollar exchange rate and paving the way for other currencies to follow suit.
- Equities are still strong and supporting the Aussie, seeing it hold its ground better than other currencies. Forward forecasts for iron ore remain strong resulting in some analysts forecasting the Aussie to be at 75 by the end of the year.
- US Election: Polls are showing Biden has the leading edge holding 49% to Trump's 41%. Both the Republicans and the Democrats have officially announced their nominations at their respective conventions. A change in the White House could see further weakness for the US dollar.
- Key event this week: On Thursday the FED will host its annual Monetary Policy Framework Review. Usually held at Jackson Hole, this year the meeting will be virtual. The market will be watching closely for the FED's forward plans, and gauge its level of comfort around inflation rates as it paves the economic pathway out of the current recession.

Jargon Buster

What is the Far East Premium?

This premium, on average, reflects the difference in freight cost to supply regional markets between Brazilian and Thai or Australian sugar. The premium displays some volatility in response to short-term supply and demand factors and changes in freight rates.

QSL, Australia's largest and most experienced raw sugar marketer

Where can I get 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.
