



Current as of 5 May 2020

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## Weekly Market Overview

### Indicative ICE 11 Prices

Season	AUD/MT*	Weekly Change
2020	393.20	10.61%
2021	413.08	6.58%
2022	427.80	4.54%
2023	431.16	3.00%

*\*These figures are indicative of available ICE 11 prices as at the week ending 1 May 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.*

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### Sugar

- The May20 ICE 11 contract expiry on Thursday saw 2.2 million tonnes of sugar delivered to the tape by COFCO Sugar and Wilmar. All of this is earmarked for immediate shipment out of the Santos port in Brazil, which raises questions regarding Brazil's ability to do so in the face of escalating coronavirus numbers and competing products scheduled to be moved through the same port.
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- The sugar price experienced a massive rally last week, with the ICE 11 prompt contract spending some time sub-10 USc/lb before climbing 200 points. The prompt subsequently slipped back 50 points overnight to close the session at 10.40 USc/lb. There's no compelling reason for this rally beyond the need for some speculators to buy back their positions to limit losses, as well as small improvements in the Brazilian currency and oil prices. Ethanol parity sits at around 7.80USc/lb.
- The fundamental picture remains supportive for sugar, and while there are questions regarding consumption levels, a structural shortage of white sugar is keeping the refining premium at around \$100/tonne, helping to buoy demand for raws.



## Currency

- The Australian Dollar slid from 65 US cents to sub-64 US cents during the course of last week. Overnight American tycoon and high-profile investor Warren Buffett announced he'd moved his stocks out of airlines, sending their stocks and equity markets lower.
- Escalating tensions between the US and China regarding the coronavirus and the threat of US tariffs are causing grief for the US Dollar, which bottomed at 63.80 cents against the Aussie last week

before climbing back to 64.45 overnight. Banks seem to have raised the lower-end of their range estimates for the AUD, with previous potential lows pitched at 50 cents now revised to 60-62 cents.

- The Reserve Bank of Australia (RBA) held its regular monetary policy meeting today, keeping interest rate levels unchanged as they wait to see the impact of the states' efforts to lift coronavirus restrictions and restart their economies.
- US manufacturing and retail data is due this week, but it is the relative virus recovery rates in each country that is of key interest to market analysts. With Australia and New Zealand generally ahead of the pack with regards to flattening the coronavirus curve, global sentiment continues to be driven by ongoing virus concerns in the US and UK. As infection rates start to tail off in Europe, questions also remain around virus levels and potential impacts in developing nations, which could also provide some tailwinds for emerging markets.

## Jargon Buster

### What does 'delivered to the tape' mean?

Delivering to the tape refers to those sellers that opt to deliver physical sugar against an open sold futures position rather than closing out their position prior to that ICE 11 contract's expiry. Sellers have to make sugar available at the port they have nominated for up to 10 weeks, while buyers have this time to nominate a vessel for loading. The 'tape' is a slang term for ticker tape which illustrates traded markets.

QSL is Australia's largest and most experienced raw sugar marketer.

