



### **Weekly Sugar Editorial: Spec Buying Meets Producers Selling**

This has been a relatively quiet month with NY trading in the range of (13.83-14.57), with funds increasing their short position further 9.5k lots(114k) and producers largely unpriced this trend may continue if there isn't any fundamental changes(basically weather disruption) or macro influences.

Even though the technical charts indicate that NY raw sugar prices would consolidate higher mainly due to the spec short covering, however with the bearish fundamentals around we may see that the rally being capped as producers would start selling at 14.50c/lb above.

#### **Fundamentals**

Thailand exported 6.8million mt of sugar in 2016-17 (Oct/Sep) according to the data from Thai sugar industry alliance(TSMC). Exports in the Q3-17 were up 40% on year to 1.95 mmt out of which 309k mt went to Taiwan a 12 fold increase on year, and 116k mt went to Myanmar up by 18%. The industry is still yet to decide on the cane pricing policy, as stakeholders in the industry are disagreeing on the pricing formula as domestic market prepares to be deregulated this season. Farmers want the cane prices to be based on Lon.5 plus cash premium while millers want to use NY plus cash premium. The government is still hoping that they will come up with a resolution which satisfies all parties before the harvest starts.

USDA Brazilian bureau estimates that the country will export 29.6mmt of sugar in 2017/18(Apr/Mar) a record and 900kmt more than the official USDA estimate. A lot

of exports are seen going to Bangladesh, the Middle East and North Africa, as exports to China plunged 92% to 103,000mt in the six months to September following the imposition of import duties. They are also expecting cane harvest to reach 600mmt in CS and 45mmt in NNE, while 48.3% cane will be used to produce 40.2mmt of sugar.



*Figure 1: Producers are looking to price above 14.50c/lb level whereas buyers and spec short covering is seen when price breaks 14.00c/lb. March18 contract high is at 20.90(seems impossible at this stage) however the low at 12.72c/lb is tempting the buyers.*

Last year rally also helped the debt ridden mills in Brazil as the latest report from Robobank showed that the average debt of producers was BRL 119(\$37.5/mt),

down from BRL 146(\$46/mt). The bank who surveyed the accounts of 32 plants also highlighted that most of the debt reduction was due to the change in exchange rates as most of the debt was in USD while the other half due to increased revenues. The stocks in CS Brazil reached 10.43mmt

Kenyan High Court has suspended duty free sugar imports, this decision has been made by the court in light of a gazette notice that was released on 4<sup>th</sup> October extending duty free sugar imports from September to December. Shipments data suggests that there is already ample sugar supply in the country following August, in which 300kmt of sugar was imported duty free, an equivalent of up to 6 months' national consumption. The country has imported 545,168MT in Jan-Aug including 300k mt in August as importers tried to cash in on the duty free.

#### **Macro**

Oil traded near \$52 a barrel as OPEC reported record compliance with pledged production cuts and U.S drilling slowed again. December futures were little changed in New York, OPEC and its partners including Russia achieved a record high level of compliance to output during September. In U.S drillers reduced the rig count for a third week to the lowest since June. Oil is holding a second week of gains after the strongest signal yet that OPEC will extend supply curbs until the end of 2018. The disruption to exports from Iraq, the second largest exporter in OPEC has helped support the market adding to the supply cuts.



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**Market Data**

NY Sugar No. 11			
Symbol	Settle	Low/High(wk)	Open Interest
Mar'18	14.00	13.90/14.42	428,370
May'18	14.11	14.02/14.51	125,609
Jul'18	14.24	14.15/14.65	60,573
Oct'18	14.56	14.49/14.98	44,226
Mar'19	15.14	15.10/15.56	22,503

Sugar No. 11 Spreads		
Symbol	Settle	Low/High(wk)
Mar'18/May'18	-0.11	-0.13/-0.06
May'18/July'18	-0.13	-0.18/-0.12

London No.5			
Symbol	Settle	Low/High(wk)	Open Interest
Dec'17	368.80	365.80/375.80	35,710
Mar'18	370.50	367.70/378.30	28,405

White Premium			
Origin	Type	Price MT over NY	Shipment
Thai	45 ICUMSA	\$150.00	FOB
Brazil	45 ICUMSA	\$88.20	FOB
EU	45 ICUMSA	-	FOB
Indian	45 ICUMSA	\$100.01	FOB
Guatemala	45 ICUMSA	\$78.10	FOB

Soft Commodities	Last	Low/High
Coffee	125.25	123.00/128.05
Soybean	978'6	978'0/999'0
Corn	344'4	344'2/353'2
Wheat	426'0	425'0/442'6

FOREX	Ask	Time UAE
EUR/USD	1.17592	12:08:11
BRL/USD	3.1927	12:09:02
MYR/USD	4.2325	12:09:20
CNY/USD	6.6349	12:10:00

Metals	Last	Low/High
COMEX Gold	1280.5	1277.6/1308.4
COMEX Silver	17.078	16.920/17.495
COMEX Cooper	3.1655	3.1120/3.2595
COMEX Platinum	925.9	920.00/950.90

Energy	Last	Low/High(wk)
WTI Oil	51.84	50.87/52.65
Brent Oil	57.75	56.60/58.54

**Highlights for this week: -**

- Russia: sugar prices in the domestic market plunge 42.4% since the beginning of the current season to RUB 24.5/kg(US\$ 426.33/mt).
- China keeps 2017-18 sugar import quota unchanged at 1.945mmt.
- France 2017-18 beet campaign may be the longest in history reaching almost 130 days.
- Australia sugar production totals 3.253mmt until 8<sup>th</sup> Oct, 22.8% higher than last year.
- A study revealed that if NAFTA fails Mexico's sugar export to the US would fall by 22% and the US sugar and confectionery exports to Mexico would take a hit of 49% if NAFTA gets scrapped.
- Alvean is planning to diversify earnings by adding some energy trading in its books. The company which is a joint venture between Cargill and Brazilian producer Copersucar SA has hired a former BP oil trader Sophie Maze

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