

**WEEKLY SUGAR EDITORIAL: Rally in A Thin Volume**

Market was dull during early of the week, trading sideways, and sugar exceptionally was waiting for something to trigger any big movement, either way. We have seen few attempts by funds pushing the bids up, very uncommon habits but that's the only way to make sure the market gets enough stamina to maintain strong in bearish sentiment.

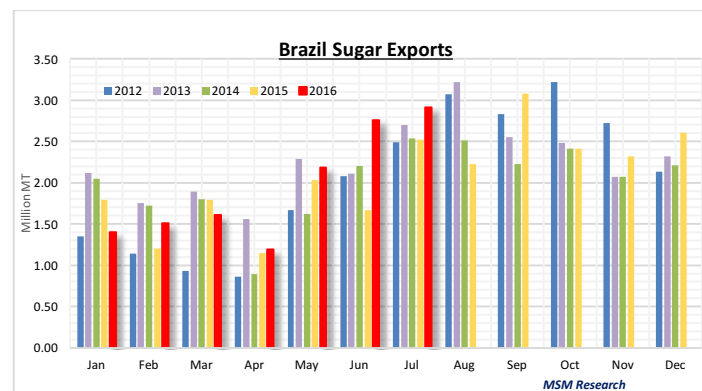
As the market leaving the first week of August, and despite huge rally during late hours, a nice strategy to create panic among system traders who join the stampede and leave a bullish technical signal despite VH spread remain below -35, on the other hand showing a bearish signal.

We remain bearish in medium term, there are still too much sugar needs to be assigned to destination, furthermore, weather in India and Thailand is looking very good for another year of healthier crop by end 2017. A choppy macro in short term could be a game changer. Somebody out there needs to make money, drifting the market away outside the fundamentals but this must come to an end, at least for another 6 weeks before Oct16 expiry.

**Fundamentals**

According to the Foreign Trade Department (SECEX), Brazil has exported 2.911 million MT in July 2016, up 8.4 per cent over the previous month and 23.8 per cent higher than July last year. This was the highest volume of sugar exported in a month since August 2013. High prices in the international market have encouraged mills to increase their focus on sugar production to meet export demand.

On the other hand, Brazil also has exported 907.93 million litres of ethanol, up from 668.33 million litres last year between January and July.

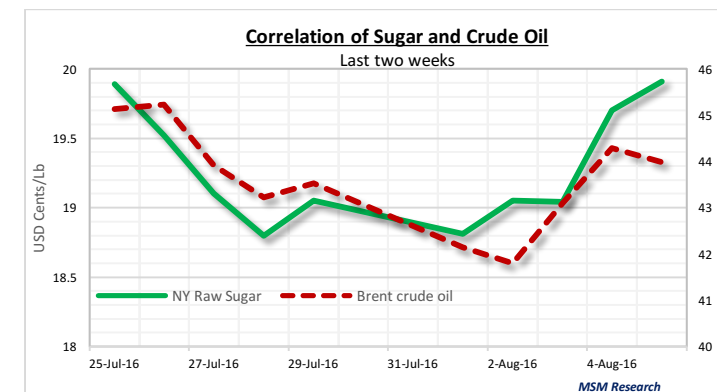


**Chart 1: Shows the sugar exported from Brazil from 2012-today; in FH16 Brazil has exported 10.68MMT compared to 9.56MMT in last year which is 11.7% higher.**

Indian agriculture ministry is considering to impose stock limits on millers and may also re-introduce the monthly release mechanism i.e. the order mechanism under which the central government decides how much each mill sold in the open market, the idea which was scrapped in 2013.

In India, the rain is expected to be normal during the month of August while precipitation in September is expected to be above average as per Indian meteorology department's forecasts. The wet weather is expected to help farmers with planting and crop yield. The good news is that in Maharashtra rainfall was 68 per cent higher, while in Uttar Pradesh rains were 14.38 per cent above the historical average.

The MDA weather services forecast dry weather over CS Brazil region in the next five days but expects above average rainfall over the next six to eight days which may be beneficial for the crops as there has been a fear rising that the excess of dry weather may affect the crop yield, however this can affect the crushing pace.



**Chart 2: Shows the correlation between sugar and crude oil for last two weeks'. As crude oil has revamped this has also led to the rise of the price of sugar and other soft commodities. The funds have been closely monitoring the oil prices and with no fundamental bullish news coming in the rise in crude has given them more time.**

Brazilian Real(BRL) reached the strongest level in 52-weeks against USD on speculation that the monetary stimulus in developed market will make Brazil higher interest rate attractive for foreign investors.

**Macro**

The BoE cut interests rates for the first time in seven and half years, from 0.50 percent to 0.25 percent and increased its government bond-buying program to counter the post-Brexit slump in the U.K economy. This has signalled to investors that other central banks

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around could also ease further which would support equities.

Oil prices made their biggest gains in three weeks on Wednesday with help from a surprisingly large draw on gasoline stocks and a bear-market rebound. Though oil plunged into a bear market this week, but the low prices have lured in bargain-buyers and convinced some bearish traders to close out and lock in profits, leading to sporadic rebounds. That is likely responsible for a large part of Wednesday's gains, along with some help from data showing a drain on U.S. gasoline stockpiles that was 10 times as large as expected.

However, with the expectation of supply in Nigeria and Libya likely to ramp up soon and the political issues affecting exports being resolved this will pave the way for an increase of the number of barrels in the market.

**Market Data**

NY Sugar No. 11				
Symbol	Settle	Weekly Variance	Low/High	Open Interest
Oct'16	20.35	+6.82%	19.61/20.47	440,783
Mar'17	20.71	+6.53%	20.02/20.81	241,846
May'17	20.02	+6.15%	19.35/20.09	64,606
Jul'17	19.38	+5.44%	18.75/19.45	49,736
Oct'17	19.05	+5.01%	18.44/19.12	31,034
Mar'18	18.86	+4.60%	18.29/18.93	15,112
May'18	18.34	+3.79%	17.83/18.40	4,598
Jul'18	17.91	+2.81%	17.51/17.97	4,769
Oct'18	17.63	+1.90%	17.32/17.66	4,189

Sugar No. 11 Spreads			
Symbol	Settle	Weekly Variance	Low/High
Oct'16/Mar'17	-0.36	+7.69%	-0.41/-0.33
Mar'17/May'17	0.69	+18.96%	0.65/0.74
May'17/Jul'17	0.64	+33.33%	0.55/0.68
July'17/Oct'17	0.33	+37.5%	0.27/0.35

London No.5				
Symbol	Settle	Weekly Variance	Low/High	Open Interest
Oct'16	551.40	+4.35%	541.20/554.30	44,730
Dec'16	553.50	+4.55%	540.80/555.70	19,058
Mar'17	553.60	+4.90%	540.00/555.00	15,958
May'17	540.50	+4.38%	527.20/541.20	8,606

Soft Commodities				5/08/16-20:00 UAE
	Last	Weekly Variance	Low/High	
Cocoa	3027	+7.34%	3041/2997	
Soybean	1011'0	-1.65%	990'4/1012'0	
Corn	324'4	-2.40%	320'0/325'0	
Wheat	417'0	+2.45%	403'0/418'4	

FOREX	Ask	Weekly Variance	Low/High	TimeUAE
EUR/USD	1.10662	-0.94%	1.10460/1.11613	20:07:10
BRL/USD	3.1913	-1.59%	3.1602/3.2075	20:08:00
MYR/USD	4.0300	-0.59%	4.0287/4.0382	20:09:00
CNY/USD	6.6520	+0.22%	6.6388/6.6564	20:10:00

Metals	Last	Weekly Variance	Low/High
COMEX Gold	1344.0	-0.17%	1342.1/1371.0
COMEX Silver	19.770	-2.53%	19.720/20.470
COMEX Cooper	2.1580	-2.85%	2.1530/2.1815
COMEX Platinum	1144.1	-0.68%	1142.4/1170.9

Energy	Last	Weekly Variance	Low/High
WTI Oil	41.54	+0.92%	41.06/42.10
Brent Oil	43.84	+4.00%	43.51/44.49
Gasoil	374.75	+1.21%	371.50/380.00
Ethanol	1.422	+0.0014%	1.419/1.435

**Highlights for this week: -**

- Kenya has issued 40 new licenses to sugar importers in the country, after imports were suspended in January to check the inflow of sugar from the common market for east and southern Africa.
- Rain in Michigan helps sugar beet crop due to improved topsoil and subsoil moisture levels.
- Indian sugarcane area stood at 4.68 million hectares as of July 28, up 2 per cent on year from 4.69 million hectares, according to data from the Agriculture Ministry.
- Indonesia will import up to 60 per cent of its raw sugar from Thailand in 2015/16; the equivalent to approximately 2 million MT and up from 30-40 per cent in 2013/14 after the duty on imports from ASEAN countries was lowered to 5 per cent in 2015.
- Australia, sugarcane crushing has gradually gained greater pace as weather became less rainy.

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