



WEEKLY SUGAR EDITORIAL: Sluggish Demand, Thin Trades Activities

Some economist are talking about foods demand are about to be squeezed by at least 25% due to current state of economy, high prices of commodity and sudden move of inflation especially in African continents. Most trade houses admitted they are now having difficulties landing homes for most of the sugar amid sharp movement of prices are widely rejected by cash strap oil producing countries.

Thai white premium is on record high however, we have seen a sharp declined in white sugar premium from USD110 to USD90 last week, a negative sign of slowing demand on physical side. Stories of tight supplies are well absorbed by the consumer months before and today sugar futures participants only consists of end destinations and system traders.

We don't see much movement in flat price; this could stay on until expiry as V6 ranges between 19.50c/lb to 20.50c/lb week in week out. The 19.40 c/lb still remain as HVL (High Volume Level) if only market break that level, then we could see real deal for bigger and exciting movements.

Fundamentals

This week UNICA came up with the results of SH July crushing the numbers were largely in line with the market expectations. The data showed the crushing at 49.09MMT whereas the sugar production touching at 3.10MMT. Director of UNICA has stated that production in 2016-17 is unlikely to reach the top of 33.5-35MMT range forecast in April as production has missed expectations. Some of the analyst are blaming

the extremely dry conditions and have started to lower their estimates.

However, on Wednesday we saw an entire different picture when a Brazilian government agency Conab viewed the same CS crop and increased their production estimate for 2016-17 to 36.5MMT from 34.3MMT and also held that the rising prices lead millers to divert more to the production of sugar instead of ethanol.

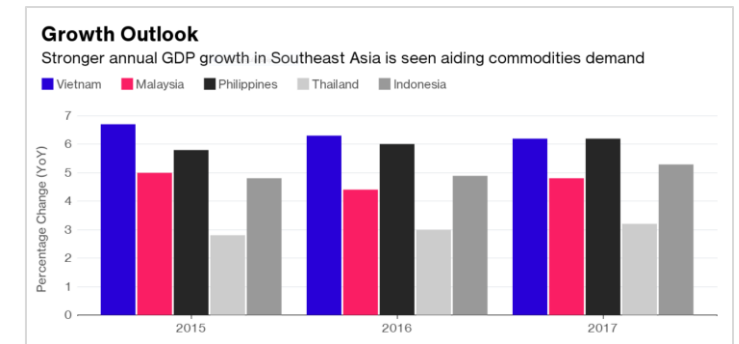
In Brazil heavy rainfall in the South will slow the harvest in Parana and Southern Sao over the next few days, but rain elsewhere will be light and scanty. The rains in India have slowed down and is 1 percent below normal in Uttar Pradesh while 21 percent above normal in Maharashtra. Whereas, in Thailand the rainfalls eased up last week, but conditions in most of the areas looks to be good.

With oil rallying almost 20 percent rise in August and Brazilian Real firming along with other emerging market currencies. These factor have added on to make commodities more attractive.

Macro

This week Bloomberg/Morgan Stanley came up with an interesting report on Commodities. The report highlighted that even though the Chinese economy slowing down, the commodities have rebounded. This contradict the perception of people who believe that with China slowing the commodities are also bound to lose pace. However, the impressive part is that the

growth is seen building especially in ASEAN nations - Indonesia, Thailand, Malaysia, Philippines, and Vietnam and is expected to rise USD 3 trillion by 2020, thus fuelling commodities-intensive infrastructure project. All this strength across Asia will help maintain and increase commodity demand across the region.



Source and Reference: IMF, World Economic Outlook Database / Bloomberg

The report took the reference of the commodity steel but also predict the same dynamics for other commodities.



Source and Reference: Morgan Stanley wealth management / Bloomberg



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Oil has rallied after Saudi Arabia energy minister, Khalid al-Falih said on Thursday that the country would take any action to help the crude oil market along with other members of the OPEC and non-OPEC members. The market speculated this by interpreting that the world biggest oil producer would support a collective production cap.

Market Data

NY Sugar No. 11				
Symbol	Settle	Weekly Variance	Low/High	Open Interest
Oct'16	19.77	+0.30%	19.69/20.13	428,522
Mar'17	20.28	+0.39%	20.20/20.59	258,720
May'17	19.82	+0.60%	19.72/20.03	80,274
Jul'17	19.29	+0.67%	19.18/19.43	53,065
Oct'17	19.00	+0.84%	18.87/19.07	32,662
Mar'18	18.83	+0.96%	18.75/18.86	16,518
May'18	18.27	+0.71%	18.20/18.29	5,070
Jul'18	17.89	+2.70%	17.88/17.92	4,935
Oct'18	17.71	+1.20%	17.74/17.76	4,226

Sugar No. 11 Spreads			
Symbol	Settle	Weekly Variance	Low/High
Oct'16/Mar'17	-0.51	-4.08%	-0.52/-0.47
Mar'17/May'17	0.46	-8.69%	0.45/0.57

May'17/Jul'17 0.53 -1.85% 0.51/0.60

London No.5				
Symbol	Settle	Weekly Variance	Low/High	Open Interest
Oct'16	525.30	-1.64%	524.10/538.00	36,763
Dec'16	533.40	-0.70%	531.90/543.00	21,321
Mar'17	539.00	-0.01%	537.50/546.60	18,157
May'17	531.20	+0.018%	539.60/536.90	9,489

Soft Commodities			
	Last	Weekly Variance	Low/High
Cocoa	3095	+3.61%	3116/3089
Soybean	1030'4	+2.69%	1035'0/1017'0
Corn	334'0	+5.89%	330'0/334'6
Wheat	432'0	+5.10	422'4/432'4

FOREX				
	Ask	Weekly Variance	Low/High	TimeUAE
EUR/USD	1.13174	+1.22%	1.13043/1.13596	21:00
BRL/USD	3.2279	+2.29%	3.2189/3.2482	21:00
MYR/USD	4.0105	-0.36%	3.9807/4.0185	21:00
CNY/USD	6.615	-0.25%	6.6253/6.6535	21:00

Metals			
	Last	Weekly Variance	Low/High
COMEX Gold	1347.5	-0.79%	1342.0/1357.9
COMEX Silver	19.360	-3.75%	19.220/19.800
COMEX Cooper	2.1685	+0.83%	2.1580/2.1745
COMEX Platinum	1119.4	-2.64%	1111.6/1136.8

Energy	Last	Weekly Variance	Low/High
WTI Oil	48.26	+8.84%	47.93/48.75
Brent Oil	50.71	+8.40%	50.32/51.22
Gasoil	444.75	+8.47%	440.50/448.75
Ethanol	1.484	+6.00%	1.465/1.485

Highlights for this week: -

- Russia sugar imports fell 38 percent in the FH2016 in response to higher domestic production.
- Australia mills are struggling to catch up with crushing schedule as more rainfall is expected for the coming week.
- State government of Maharashtra, India announced a plan to convert 300,000ha of land under sugar cultivation to drip irrigation by 2016-17.
- Thailand's Sutech Engineering is investing USD 210 million in building a sugar refinery in Russia's far east with a production capacity 350,000MT whites and 50,000MT brown sugar annually.

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