



### Weekly Sugar Editorial: 'The Rollercoaster'

We saw big funds interfered to hold the market up on Friday despite a wild rollercoaster ride we experienced a day before. Market are still lacking of fundamental news, any anticipation such as Fed's decision to hold on the interest rate would trigger a big move. In reality nothing has changed, an increase in interest rate before the US Presidential election not a norm thus it was well anticipated.

On Thursday big funds have reacted to steady and cheap interest rate, Japan BOJ ranges between 0 and -0.1% and US between 0.25% and 0.5%. The most interesting thing about the market we have seen is technical still carrying a bearish flag however the funds and specs involvement in keeping the strength is paramount.

#### Fundamentals

Chinese commerce minister has announced an investigation into sugar imports over the past five years. This news comes at a time when the country is planning to sell part of its 7 million MT stocks. The authorities are also reviewing their duty structure with a view towards raising the import duty most probably by March 2017, this may have actually triggered the rally on Thursday which was fuelled by system buying as they anticipated that Chinese traders will start buying now. On cumulative basis China imported 2.094 million MT from Oct15 to May16 which is down by 3.160 million MT in the same period of 2014/15. The slowdown in imports does not come in line with the drop in domestic production, in 2015/16 China

produced 8.707 million MT versus 10.518 million MT in 2014/15. Overall we estimate that smuggled sugar could have reached 1 million MT from October 2015 to July 16 mainly coming in through Myanmar, Laos and Cambodia.

Last UNICA report highlighted that the last third of the cane crop would be compromised by the bad weather, lack of care and the aging of cane crop, these factors have led to some mills starting to lower their cane crush targets. The market is also guessing that the Brazilian season would end bit early than expected.

In India the monsoon season will end in next 10 days overall the rainfall as a whole is 5% below normal due to the delay of La Nina weather pattern, water levels in major 91 reservoirs till FH September are 68% of full capacity. Brazil the weather is expected to be dry for the coming week.

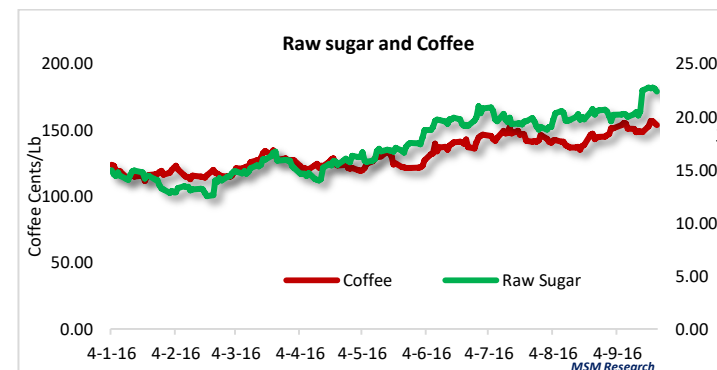


Figure 1: Coffee and sugar had rallied to a new high since February 2015 and roughly at the same time fell to the daily lows similar to sugar.

#### Macro

Japan's central bank and the FED kept their respective rates unchanged. Japan which has been failing to revive its economy have kept their rates steady at -0.1 per cent but have made an announcement that it would modify its policy framework to boost economy. But as per our understanding the biggest issue that Japan is facing is the demographic crunch in the form of 'Ageing and shrinking of population'. The population now stands at 127.1 million, declining by 0.70% between 2010-2015. According to 2014 estimates, 33% of the Japanese population is above age 60, 25.9% are aged 65 or below whereas 12.5% are aged 75 or above.

The FED also kept the rates unchanged for the sixth straight meeting and would most likely hike the rate at the December meeting after the presidential elections.

As per Reuters, Saudi Arabia now has offered to reduce its oil production if rival Iran agrees to cap its output, if this news is credible this would be probably seen as a policy shift of the Kingdom which had previously refused to cut output alone to support the prices and defend its market share. Next week the OPEC members are having a side-lines meeting during International Energy Forum, Algiers non-OPEC member Russia is also attending the forum.

Saudi Arabia which is facing economic crisis mainly due to the fall of the oil prices is now looking forward to restore its non-oil sectors and cut down subsidies.



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The country will also sell 5% stake in Saudi Aramco through IPO, the company is known to be the largest enterprise in the world and some experts claim the net worth of the company can be anywhere between USD2-3 trillion which is equivalent to total market value of every other public listed oil and gas company in the world. The IPO is expected to raise up to USD 150 billion which will be well above the Alibaba's USD 25 billion offering in 2014 the current biggest.

**Market Data**

NY Sugar No. 11				
Symbol	Settle	Weekly Variance	Low/High	Open Interest
Oct'16	22.13	+1.60%	21.76/22.37	87,152
Mar'17	22.70	+1.02%	22.22/22.85	477,345
May'17	22.03	+2.03%	21.56/22.10	131,943
Jul'17	21.26	+2.35%	20.79/21.31	85,738
Oct'17	20.69	+2.88%	20.23/20.73	57,459
Mar'18	20.32	+3.35%	19.88/20.38	25,702
May'18	19.57	+3.70%	19.15/19.62	8,498
Jul'18	18.95	+4.17%	18.63/19.00	4,951
Oct'18	18.56	+4.50%	18.28/18.60	4,399

Sugar No. 11 Spreads			
Symbol	Settle	Weekly Variance	Low/High
Oct'16/Mar'17	-0.57	+17.39%	-0.57/-0.46
Mar'17/May'17	0.67	-23.86%	0.66/0.75
May'17/Jul'17	0.77	-6.09%	0.75/0.84

London No.5				
Symbol	Settle	Weekly Variance	Low/High	Open Interest
Dec'16	592.20	+1.50%	582.30/594.10	36,553
Mar'17	593.90	+1.79%	584.00/596.40	22,399
May'17	585.40	+2.05%	575.00/587.20	13,022
Aug'17	571.60	+2.58%	560.80/572.40	6,675

Soft Commodities			
	Last	Weekly Variance	Low/High
Cocoa	2858	+1.59%	2811/29
Soybean	953'2	-1.34%	952'4/976'2
Corn	335'2	-0.29%	333'6/338'4
Wheat	403'6	+0.04%	401'2/409'4

FOREX				
	Ask	Weekly Variance	Low/High	TimeUAE
EUR/USD	1.12320	+0.67%	1.11940/1.12405	09:28:10
BRL/USD	3.2450	-0.52%	3.2446/3.2455	09:28:10
MYR/USD	4.1120	-0.91%	4.1120/4.1150	09:28:10
CNY/USD	6.6688	-0.02%	6.6688/6.6695	09:28:10

Metals			
	Last	Weekly Variance	Low/High
COMEX Gold	1341.1	+2.13%	1337.4/1344.5
COMEX Silver	19.775	+4.99%	19.665/20.025
COMEX Cooper	2.2000	+1.89%	2.1855/2.2065
COMEX Platinum	1057.5	+3.83%	1052.0/1063.9

Energy			
	Last	Weekly Variance	Low/High
WTI Oil	44.59	+3.34%	44.22/46.55
Brent Oil	46.48	+1.55%	46.24/48.78

**Highlights for this week: -**

- Pakistan is expected to produce 5 million MT sugar in 2016/17 with domestic consumption at 4 million MT and they also have 1 million MT of carryover stock.
- Indian investor Madhucon Sugar and Power Industries plans to build sugar and ethanol mills in Indonesia's regency of Maluku Tenggara Barat.
- Venezuela sees production at 400,000MT in 2016/17 from 200,000MT in 2015-16.
- South Africa losses 38,797ha of cane in drought.

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