



**Weekly Sugar Editorial: Dubai Gala over ‘What’s Next?’**

Stock market has been really bullish after Trump came in but we are unable to see the same trend in commodities or even forex. The sugar market seems to be stuck and dull with market trading between 20-21 cents for past two months. The funds have been really quiet but if they initiate a selling we may see price sliding down and being supported at mid-19’s as a result of active commercial buying and short coverings. As per the technical the support levels are at 20.05(40-day avg) followed by 19.82(200-day) and 19.75( 50-day).

**Fundamentals**

The Dubai Sugar Conference is turning out to be an excellent platform for the sugar community. Whether it is the back to back meetings, presentation, competition or even the after parties it is really getting better every year. This time the hot topic of discussion was on India imports, China and the existing deficit situation. Around 80% of the attendees are sure that India will be importing this year with the numbers going to around 1.5-2.5MMT, the production numbers are predicted to fall to around 20MMT this year, and as per February the country produced 14.67MMT of sugar which is down from 17.33MMT in the same period last year. Around 191 mills have already closed there operations out of the total 483 mills. UP has seen surplus in production the state produced 5.4MMT from 4.55MMT last year while the situation is worse in Maharashtra the state only produced 3.97MMT of sugar from 6.27MMT last year. While on the production side most of the trading houses were sure there would be a shortfall but

we also heard that the consumption has been also affected, with few traders even saying that the consumption can slide to even 23MMT which we consider as impractical. Demonetisation did pause off the consumption in the country this was even confirmed by a major Indian biscuit producer who told us that the demand of their products fell by 8% in the initial months of the demonetisation decision taken by the Government.

Overall as per our analysis we expect the government to take up a decision on the import policy by end of March/April. Some mills in India are even putting pressure on the government to revise the policy of exporting from 6 months to 2 years.

The government right now is trying to cool down the market by squeezing the millers to release the stocks which seems to be not working at this current scenario. Currently for importing raw sugars the refineries are made to pay 40% import duty which is almost USD 125/MT but if it changed to 0% then the profit can turn up to USD 60-70. However if the government delays its decision then the country will be forced to import white sugar which can fetch up to USD 100/MT profit and would be easier to handle.

In Brazil the things are looking positive and as per the refineries that we spoke with the country is expected to produce more sugar in the coming season, we are projecting production to go up to 36.8MMT for the coming season. The harvesting is expected to start late by mid-April which seems to be a good decision as mostly Brazil start there season by early March and this gap will actually help the development of cane. Some other updates from the conference includes

Russia is seeing a rise in production, EU refineries have already started working on increasing their capacity, African demand is getting stronger, Thailand is expected to crush 92MMT of cane this year and for the coming season the crushing is expected to reach to 105-115MMT,AKJ refinery is working on full capacity however they are not importing any additional raw to cater the anticipated Indian imports.

	(Kilograms)				
Countries	2011	2012	2013	2014	2015
Brazil	64.10	61.20	58.70	54.30	53.60
Australia	44.90	45.70	44.40	46.60	48.20
Thailand	38.10	39.60	42.00	43.10	42.70
Argentina	37.70	39.00	39.30	39.60	38.10
Russian	39.30	39.30	39.30	36.90	37.50
EU	35.20	36.00	37.10	37.90	35.20
South Africa	36.60	36.60	36.70	35.30	34.10
USA	31.00	30.80	32.50	31.60	33.70
Sri Lanka	31.00	31.10	31.60	31.80	32.10
Turkey	28.50	30.70	29.60	30.50	28.30
Pakistan	25.20	25.30	25.40	25.60	25.70
India	16.50	18.10	17.90	18.60	19.80
World Average	21.70	22.70	22.80	22.90	23.00

Figure 1:SOURCE ISMA Though India is biggest consumer of sugar in the world , however its per capita consumption is lower than the world average but it is expected to grow due to increase in Per Capita Income.

**Macro**

The oil market is trading sideways and the investors are also looking confused on where the market is heading. The OPEC decision on supply cut did support the bulls however US is halting it from going higher. As per December data Russia overtook Saudi Arabia as the world’s largest producer by pumping 10.49mlbd

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while the Saudi finished second at 10.46mlbd while the US placed at third position at 8.8mlbd.

A recent report in Bloomberg still indicated the it's a good time for investors to get into commodities and specifically indicated on how sugar has rallied by almost 50% and can be a possible good investment as the global stocks are declining. The report also focussed on precious commodities which can be a good investment for short term basis.

**Market Data**

NY Sugar No. 11			
Symbol	Settle	Low/High Week	Open Interest
Mar'17	20.30	19.91/20.84	90,397
May'17	20.26	19.89/20.70	279,422
Jul'17	20.03	19.68/20.40	171,846
Oct'17	20.01	19.60/20.28	103,092
Mar'18	20.09	19.63/20.28	87,734
May'18	19.45	19.00/19.61	22,974
Jul'18	18.82	18.35/18.94	15,783
Oct'18	18.52	18.01/18.56	16,574

Sugar No. 11 Spreads		
Symbol	Settle	Low/High Week
Mar'17/May'17	0.04	-0.01/0.17
May'17/Jul'17	0.27	0.21/0.31
Jul'17/Oct'17	0.29	0.02/0.13

London No.5			
Symbol	Settle	Low/High Week	Open Interest
May'17	550.10	533.60/556.70	38,732
Aug'17	542.00	530.60/548.60	17,438

Soft Commodities		
	Last	Low/High
Coffee-Lon	2132	2132/2146
Soybean	1032'4	1031'0/1046'2
Corn	368'2	368'0/373'2
Wheat	170.75	170.50/171.50

FOREX	Ask	Low/High	Time UAE
EUR/USD	1.06204	1.06031/1.06330	16:03
BRL/USD	3.1035	3.0955/3.1035	16:04
MYR/USD	4.4625	4.4495/4.4670	16:05
CNY/USD	6.8765	6.8639/6.8600	16:06

Metals	Last	Low/High Week
COMEX Gold	1237.4	1217.5/1245.1
COMEX Silver	18.030	17.730/18.140
COMEX Cooper	2.7245	2.6150/2.7910
COMEX Platinum	1006.0	990.4/1021.7

Energy	Last	Low/High Week
WTI Oil	53.40	52.68/53.95
Brent Oil	55.81	55.10/56.81

**Highlights for this week: -**

- Mexico: White sugar price remains flat in the domestic market at USD 38.60/bag.
- Weather in Brazil is not entirely dry in CS, sporadic rainfall is observed in Sao Paulo this week.
- Philippines: 16/17 crop remains delayed with sugar production 24% lower than a year ago.
- London mar'17 delivery totals 2,842 of which 1000 lots from Mexico. EDF is the sole receiver.
- Argentina: January sugar exports increase 4-6-fold to 50K MT.
- Brazilian sugar exports in container increase 32% in 2016 to 2.85MMT.
- More balanced world trade flows cap further upward movement in sugar.

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