



Weekly Sugar Editorial: The Shepherd Boy and The Wolf

New York is taking a break this Monday from weeks of a roller coaster ride. Every time the market stumble, then we could hear people shouting (in their report) to sell the market off, "this is the time, funds are getting out"... the trades are ignoring this phenomenon, nobody actually doing "real" trading, they make money today and lose another day, trading in range can be the most difficult task during a premature rally and huge trade surplus. But the only thing for sure spreads are weakening and selling V/H is not a bad idea at this moment and we could see surplus will drag into 2nd Quarter if Wilmar or Alvean refuse to receive this time around.

This year has been an exceptional year for the Brazilian producers, a record crops with higher sugar production, stronger USD and higher sugar prices summed up to be a fairy tale comes to live.

Fundamentals

UNICA has released the FH August crushing numbers which came in slightly lower than the large results expected. Crushing touched 44.82 MMT whereas the sugar production hit 2.97 MMT. The cumulative sugar production in Brazil is now at 19.897MMT which is 21.99 per cent higher than last year.

There was a rumour this week that the Chinese government may immediately sell 1 MMT of sugar stocks due to the internal Chinese price rallying above 6100 Yuan/MT. Though the government has not responded on this yet, but the market is speculating that they might be releasing the stock.

Bloomberg has reported this week that Brazilian biggest sugar companies are locking in sales at the fastest pace in years amid record domestic prices, boosting projected profits. Raizen Energia SA, a Royal Dutch Shell Plc and Cosan SA joint venture and the country's top exporter, said it sold 954,000 MT of sugar for delivery in 2017 as of June. That's a 10-fold increase from last year, and the biggest volume sold that far in the future since at least 2010, according to Cosan's earnings reports. Louis Dreyfus Co.'s sugar unit Biosev SA, the second-largest producer, has already sold about 645,000 MT in advance, or 40 per cent of its projected exports, up from virtually zero a year earlier. Sao Martinho SA which usually starts selling its upcoming crops in September has already sold 150,000MT of sugar or 15 per cent of its cane production at an average price of 19.33 cents/lb for delivery in 2017.

This improved outlook for sugar has boosted shares of publicly traded producers in Brazil. The millers are expecting with higher sugar prices the margins would improve next year thus will allow companies to reduce their debt.

Macro

The FED has been in spotlight for past two weeks with speculation rising on a possible rate hike in September meeting. The July Fed meeting minutes outlined that the US economy has shown evidence moving towards its target, i.e. an ideal growth of 3 per cent.

The market was anticipating if the August job growth comes somewhere over 200,000 this would be strong enough to boost the chances for a Fed interest rate hike in September. However, the possibility of Fed hike dropped after the August jobs missed expectations. The numbers reached 151,000 well below Wall Street economists were expecting report to show a gain of 180,000 in August, with the unemployment rate ticking down one-tenth to 4.8 per cent.

US central bank meets on September 20-21, with the possibility of a rate hike still on the table.

Officials from oil producing nations are again pushing up a deal to curb output. This renewed hopes of the global pact to freeze output and stabilize prices helped futures to gain some lost ground on Friday.

Russian President Vladimir Putin has also urged oil-producing nations to agree on a production cap at a meeting in Algeria which is set for September 26-28.

Cosan SA Industria e Comercia(CSAN3.SA) ~Shares BRL:Real



Chart 1: Shows stock price of CSAN listed on Sao Paulo Exchange rallied almost 57% from Jan16 till now due to rise of global sugar prices. The lowest stock price for this year was at BRL 22.06(Jan19) whereas the highest was noted at BRL 36.42(Aug30). The share price has increased by 88.1% on YOY basis.



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Market Data

NY Sugar No. 11				
Symbol	Settle	Weekly Variance	Low/High	Open Interest
Oct'16	20.18	-2.08%	19.60/20.44	398,433
Mar'17	20.77	-1.51%	20.18/20.98	299,748
May'17	20.25	-1.17%	19.73/20.40	89,681
Jul'17	19.73	-0.65%	19.23/19.77	56,858
Oct'17	19.47	-0.30%	18.96/19.53	39,196
Mar'18	19.34	+0.41%	18.86/19.39	18,478
May'18	18.79	+0.58%	18.34/18.84	5,802
Jul'18	18.35	+0.76%	17.99/18.38	4,880
Oct'18	18.12	+0.99%	17.82/18.10	4,139

Sugar No. 11 Spreads			
Symbol	Settle	Weekly Variance	Low/High
Oct'16/Mar'17	-0.59	-22.91%	-0.60/-0.54
Mar'17/May'17	0.52	-13.33%	0.46/0.58
May'17/Jul'17	0.52	-17.46%	0.51/0.61

London No.5				
Symbol	Settle	Weekly Variance	Low/High	Open Interest
Oct'16	542.00	-0.33%	530.30/546.70	29,671

Dec'16	545.90	-0.58%	536.10/549.60	23,481
Mar'17	549.40	-0.77%	538.90/551.00	19,719
May'17	542.40	-0.73%	532.50/543.70	10,721

Soft Commodities			
Last	Weekly Variance	Low/High	02/09/16-19:30 UAE
Cocoa	2923	-3.01%	2917/2918
Soybean	950'0	-4.56%	960'0/971'0
Corn	313'6	-2.18%	311'0/317'6
Wheat	372'0	-5.10%	367'2/374'2

FOREX	Ask	Weekly Variance	Low/High	TimeUAE
EUR/USD	1.11595	-0.88%	1.11505/1.12521	20:00:12
BRL/USD	3.2474	+1.83%	3.2258/3.2699	20:00:12
MYR/USD	4.0830	+1.74%	4.0800/4.0913	20:00:12
CNY/USD	6.6790	+0.16%	6.6713/6.6817	20:00:12

Metals	Last	Weekly Variance	Low/High
COMEX Gold	1323.00	-0.42%	1307.4/1334.0
COMEX Silver	19.320	+3.20%	18.825/19.400
COMEX Cooper	2.0810	+0.19%	2.0780/2.0935
COMEX Platinum	1059.0	-1.40%	1047.8/1069.9

Energy	Last	Weekly Variance	Low/High
WTI Oil	44.41	+6.72%	43.16/44.57
Brent Oil	46.82	-5.88%	45.41/46.94
Gasoil	408.75	-6.08%	398.25/410.25
Ethanol	1.443	-	1.443/1.456

Highlights for this week: -

- EU: Sugar imports totaled 1.967MMT between October 2015 and June 2016; against 1.840MMT in the same period 2014/15 i.e. increase by 6.9 per cent.
- Due to rain, sugarcane grinding pace in the state of Queensland is delayed by 4 to 7 weeks.
- Egypt government plans to purchase 450-550K tonne of sugar until February 2017.
- Indian government announced that it will impose stock limits on mills until October festive season as per the new policy the mills will not be allowed to hold more than 37 per cent of the total production during the year and 24 per cent of production by end of October.
- The Vietnam Sugar and Sugarcane Association (VSSA) asked the government to maintain a 5 per cent import duty on sugar for sugar imports from ASEAN countries after 2018 to help the local industry increase its competitiveness.

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