



Weekly Sugar Editorial: Sugar stranded between 20-21!

The market has been trading in both direction and seems to be stuck between 20-21 cents/lb. On the technical side spec selling is expected to uncover sizeable commercial buying and short covering into the high and mid 19.00 on the likelihood of an Indian demand.

Market has been trying to break the 21.00c level and it seems that 20.50c is acting as a pivot point

It seems like the market is having a break from the long journey while waiting certain event spark the floor again. Nevertheless, the fundamental from Thailand and India are the major factor at the moment without overlook any updating from the Chinese.

Fundamentals

Chinese government continued with auctioning its state reserves and sold 243K on 23rd January the minimum auction price of white sugar will be CNY 6000MT(USD 876/mt), the Ministry of Agriculture is forecasting production at 9.9MMT whereas consumption at 16MMT. Chinese imports have been really down the country imported around 215K in December, a drop of 56.7%year on year.

The market has been counting on a possibility of an early change in India import policy however the government is still looking into the production numbers to validate it however we see that it is much likely that it would take couple of weeks for the government to come into a conclusion till then the market may failing to break the upside and would probably be trading both sides.

The election in the state of UP in India is perhaps an important factor that is making the Central Government delay its decision on any changes in the import policy as the state has a large section of farmers and are afraid of a political repercussion and the loss of the farmers support in the upcoming elections.

EU is gearing up to move from being a net importer to an exporter and we are projecting an export volume of around 2.2MMT from the region. Platts forecasted that the production may increase by 40% in UK, and 17% in France however the EU sugar would not be competitive if world prices fell below 18cts/lb which is highly possible as we are seeing production surge in Thailand as well India.

In Brazil around 27 vessel were waiting to load 861K sugar outside of Brazilian ports as of 25th January, up from 23 from previous week.

Macro

OPEC is now urging the investors that it is on track due to the production measure cut implemented. Hedge fund manager are optimistic on West Texas Intermediate in at least a decade as OPEC and other producers reduce crude output. Saudi Arabia claims that more than 80 per cent of the targeted reduction of 1.8 million barrels a day has been implemented.

Hedge funds have also boosted their net long position by 6.1 per cent in the week ended January 24. OPEC members KSA, Kuwait, and Algeria are also declaring that they have cut output this month by even more than was required while Russia also said it is also curbing production faster than agreed.

KSA Energy Minister also expressed his adherence to production curb and also said OPEC won't need to extend the accord when it expires in the middle of the year.

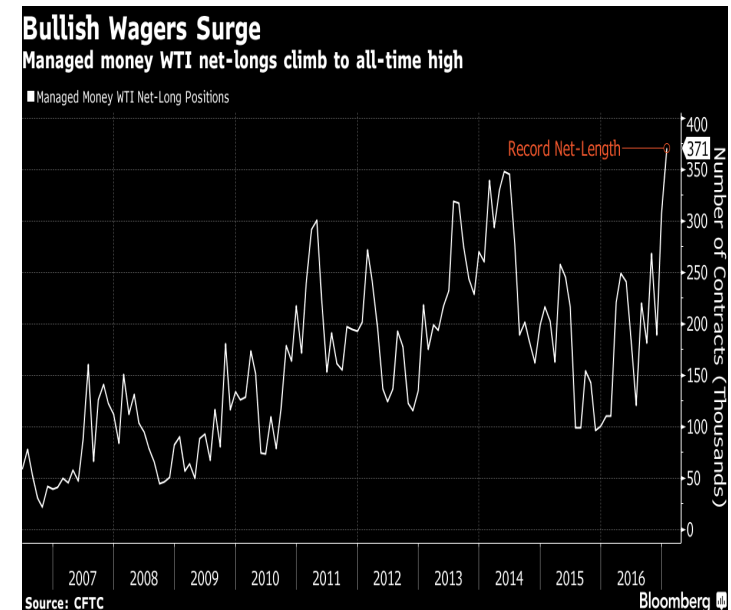


Figure 1: Source and Reference Bloomberg, Hedge Funds raised there net long position on Crude oil to a record level on anticipation of a successful OPEC production cut.



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Market Data

NY Sugar No. 11			
Symbol	Settle	Low/High Week	Open Interest
Mar'17	20.33	20.24/20.99	287,118
May'17	20.36	20.26/20.94	178,576
Jul'17	20.10	19.96/20.52	157,910
Oct'17	19.96	19.70/20.14	89,035
Mar'18	19.94	19.57/19.96	67,898
May'18	19.31	18.91/19.32	19,098
Jul'18	18.69	18.28/18.70	13,314
Oct'18	18.28	17.92/18.29	14,352

Sugar No. 11 Spreads		
Symbol	Settle	Low/High Week
Mar'17/May'17	-0.03	-0.07/-0.03
May'17/Jul'17	0.26	0.26/0.42
Jul'17/Oct'17	0.14	0.13/0.38

London No.5			
Symbol	Settle	Low/High Week	Open Interest
Mar'17	537.50	532.00/547.50	31,352
May'17	544.50	536.50/550.60	31,430

Soft Commodities		
	Last	Low/High
Coffee	151.10	151.05/152.05
Soybean	1037'2	1036'4/1044'2
Corn	360'0	359'2/361'6
Wheat	416'6	416'6/419'2

FOREX	Ask	Low/High	Time UAE
EUR/USD	1.06728	1.06688/1.07403	16:05:12
BRL/USD	3.1402	3.1400/3.1528	16:05:10
MYR/USD	4.4245	4.4300/4.4303	16:07:20
CNY/USD	6.8767	6.8767/6.8816	16:02:10

Metals	Last	Low/High
COMEX Gold	1189.7	1187.1/1195.0
COMEX Silver	17.095	17.080/17.235
COMEX Cooper	2.6770	2.6730/2.7045
COMEX Platinum	982.1	981.1/993.2

Energy	Last	Low/High Week
WTI Oil	53.28	52.21/54.08
Brent Oil	55.49	54.65/56.55

Highlights for this week: -

- India, Maharastra sugar output falls at 3.439MMT of sugar as of January 23 from 31.57 MMT of cane crush.
- Shree Renuka sugar expects Indian production to be around 20 MMT below the government and ISMA numbers and expects the government to scrap the import duty.
- China exports up 99 per cent 149,100 MT of sugar in 2016 up 98.8 on year on basis.
- Pakistan cane output is expected to reach 71MMT in 2016/17 higher than the target of 67.5MMT, as higher returns led to an increase of 8 percent.

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