



Weekly Sugar Editorial: NY Breaks Five-Week Range

Sugar finally broke out of five-week range and posted a steady technical finish above the 40,50,&100-day average on the March chart and above the three month-high of 14.58c/lb on the daily continuation. As expected the rally expanded on technical buying and producer scale selling. Overall funds are still carrying a record short positions while the producers still keen to price in range of 15.00-15.20c/lb.

Fundamentals

UNICA FH Oct report stated that CS processed 32.41 million mt of cane in line with last year. The sugar mix dropped 43.76% from 46.53% the previous fortnight and 49.62% in the same last year. As a result sugar output dropped to 1.98 million mt down by 12.28% while ethanol output reached 1.58 billion L, up 11.62%. Brazil till now has produced 31.21mmt this season compared to last year 30.13mmt a rise of 3.6%, crushing has reached 499.59mmt compared to 508mmt previous year, whereas mix has favoured sugar at 47.62% higher than previous 46.51%.

As per ISMA some 13 mills had produced 34,000mt of sugar as of October 17 compared to 15 mills producing 30,000mt at the same date last year. Mills in Maharashtra are expected to start on November 1, while many mills in UP and Karnataka have delayed the start of operations for some mills by a few days. Meanwhile stocks as of October 1 stood at 3.9mmt or 3.8mmt less than last year. UP increased the State Advised Price(SAP) for sugarcane to INR 3,150/mt

(\$48.5/mt) for 2017-18, a 3.3% increase from the INR 3,050/mt(\$46.9/mt). Most sugar mills suggested this was a modest increase and the sugar industry would be able to absorb the new costs.

EU sugar price remained firm at € 501/mt in August, rising by 13.9% in one year. In parallel to the white sugar price in the London market fell by 29.5% in one year to US\$ 378.06/mt (€ 320.03/mt). This raises questions EU block producers' willingness to exports as they would be willing to rebuild stocks in the domestic market where prices are more attractive.

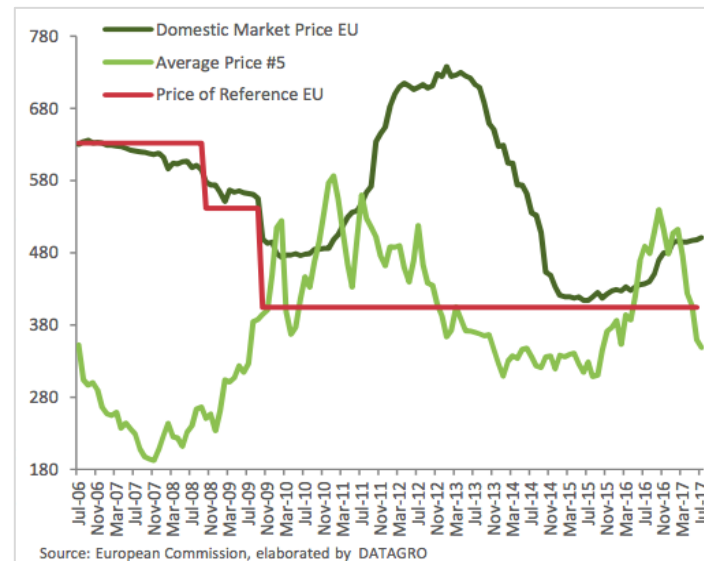


Figure 1: EU domestic price comparison against world market.

The European parliament decided on October 26 to start talks over a potential trade agreement with Australia by end of the year. EU setup a negotiation mandate in which it noted that some agricultural sectors might need special consideration or to be excluded entirely, such as sensitive sectors like sugar or beet. EU's estimated beet sugar yield has been lowered to 76.7mt/ha from 76.9mt/ha by a crop monitoring services MARS.

Rising freight rates, a narrowing premium between Brazilian and Thai sugar and a new trade deal with Australia mean that Indonesia is much likely to import less raw sugar from Brazil this year. The FOB Thai HiPol sugar premium over FOB CS Brazil VHP was \$20.12/mt in October, down from \$28.41/mt in the first half of the year. Indonesia is expected to import 4.5mmt of raws this year.

Macro

Brent crude is trading above \$60 per barrel for the first time in 2 years. Investors have remained bullish after news that OPEC will continue to stick with production cuts, although rising exports from Iraq kept a lid on prices. OPEC is scheduled to meet officially at its headquarters in Vienna, Austria on Nov 30, market is speculating that some decision would be voiced to support the extension of agreement. Iraq move to increase oil exports from its southern ports by 220,000 bpd to 3.45 million bpd to make up for supply disruption.



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As per IMF, Saudi Arabia will need oil to trade at \$70 per barrel to break even, that's down from a break-even of \$96.60 a barrel in 2016, the biggest drop of eight crude producers in Persian Gulf.

Market Data

NY Sugar No. 11			
Symbol	Settle	Low/High(wk.)	Open Interest
Mar'18	14.63	13.84/14.70	431,456
May'18	14.67	13.95/14.73	131,791
Jul'18	14.71	14.08/14.77	64,108
Oct'18	14.94	14.41/14.99	45,985
Mar'19	15.43	15.00/15.46	24,448

Sugar No. 11 Spreads		
Symbol	Settle	Low/High(wk.)
Mar'18/May'18	-0.04	-0.14/-0.03
May'18/July'18	-0.04	-0.15/-0.03

London No.5			
Symbol	Settle	Low/High(wk.)	Open Interest
Dec'17	380.90	367.10/381.30	33,667

Mar'18	381.50	367.90/382.50	6,665
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White Premium			
Origin	Type	Price MT over NY	Shipment
Thai	45 ICUMSA	\$146.00	FOB
Brazil	45 ICUMSA	\$85.01	FOB
EU	45 ICUMSA	-	FOB
Indian	45 ICUMSA	\$101.20	FOB
Guatemala	45 ICUMSA	\$75.10	FOB

Soft Commodities	Last	Low/High
Coffee	126.50	126.35/127.75
Soybean	979.60	974'6/981'4
Corn	349'0	348'2/349'6
Wheat	426'4	426'2/428'2

FOREX	Ask	Time UAE
EUR/USD	1.16317	16:29:01
BRL/USD	3.2447	16:29:22
MYR/USD	4.2370	16:30:01
CNY/USD	6.6429	16:30:48

Metals	Last	Low/High
COMEX Gold	1271.50	1269.8/1274.9

COMEX Silver	16.735	16.715/16.865
COMEX Cooper	3.1070	3.0870/3.1155
COMEX Platinum	921.0	914/924

Energy	Last	Low/High(wk)
WTI Oil	53.90	51.55/54.20
Brent Oil	60.44	58.82/60.65

Highlights for this week: -

- The Indian government forecast 2017-18 output at 25mmt, up from 20.3mmt last season.
- Sudan's government plans to privatize 5 state-owned sugar mills.
- Thailand: raw sugar exports drop from 256,089 mt in August to 126,041 mt in September, bringing total exports since November 2016 to 2.363 mmt, 32.1% lower w.r.t. same period of previous season.
- China imports 160,000 mt of sugar in September, 67.8% lower YoY and ends the 2016/17 crop importing 2.287 mmt of sugar, down from 3.733 mmt in the previous season;

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