



**Weekly Sugar Editorial: Sugar breaks 21.00 cents/lb. now will it hold?**

India and China are currently the biggest influences on the world sugar prices, whereas China which previously used to affect the prices in the past through opportunistic buying, this year it would be doing through opportunistic selling. On the other hand, in India we are expecting any sizeable imports of 2-3MMT, yet the timing of the change in the Import policy has made the market confused.

The funds have already started ruling over before the index funds start rolling which are expected to kick off by this Tuesday. However, the funds hold a sizeable position and any rolling will cause volatility which is already visible in the market trend.

The current weak structure of the market was pointing to a test of 20.00-19.50 level however after the market break that level and now currently testing level 21.20-21.50 cents/lb that again puts a downside risk again.

Hence it will leave interesting chapter to be discussed during Dubai Sugar Conference this week. Will market carry the send trend this year? Let's fasten our seatbelt first before its happen.

**Fundamentals**

In India, the situation is getting even worse which is reflecting in the number of mills crushing which saw a rapid fall in Maharashtra (58 out of 149) and Karnataka (13 of 61). The production in these two states seems to may fall by up to 50 per cent over last year. Even though the production has increased in Uttar Pradesh

by roughly 24 per cent but won't be able to compensate and it is likely that the production can fall to 19.5-20MMT which will be down by 22.8 compared to last year. Internal prices have also rallied by 2.33 per cent on prices, the local retail price is around INR 40/Kg (USD 589/MT).

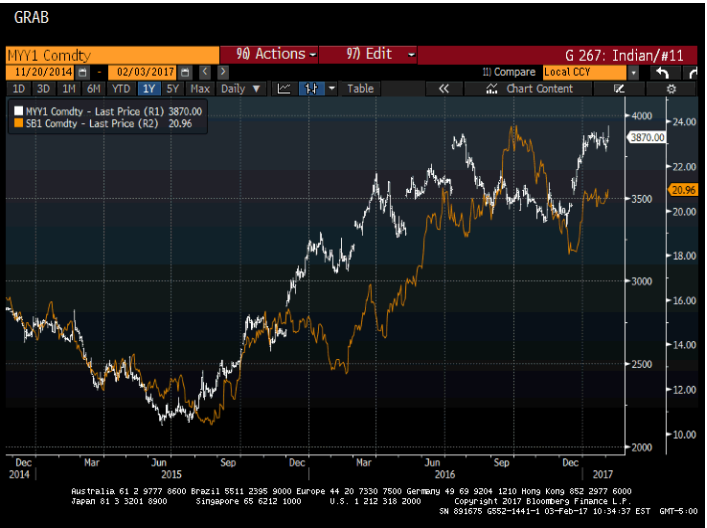


Figure 1 Source Bloomberg : Indian Sugar Prices against NY

Datagro revised its estimate for 2016/17 and 2017/18 to 605.5MMT and 612MMT. According to Datagro's CEO the 2017/18 will have 8MMT of sugarcane that will have been left, which generally tends to a larger production of sugar, he also estimates a 47.4% sugar mix, but will depend on the price of gasoline at the pumps.

Table 1: Datagro estimates

2016/17		2017/18
New	Old	New
- Crush 605,5 MMT	- Crush 608,86MMT	- Crush 612MMT
- Sugar 35,6 MMT	- Sugar 35,7MMT	- Sugar 36,8MMT
- Ethanol 25,6 Bn liters	- Ethanol 25,8 Bn liters	- Ethanol 25,3Bn liters

**Macro**

The funds are the most bullish on crude for the second week as we are seeing OPEC cutting their production. As per the Bloomberg report the group cut 840,000 barrels a day last month and Russia a non-member cut down its production by 117,000 barrels a day.

Still OPEC's total output remains 550,000 barrels a day above the set target, this has led price to trade above USD 50 a barrel which has led to U.S shale producers to grow faster which may keep the prices capped over USD 55/barrel.

Oil prices were also pushed as tension rose of fresh new U.S sanctions against Iran which could affect crude supplies. Though market were held back by more signs of growing U.S production as well lower imports demand from China.

Cargill Inc. CEO David MacLennan has expressed concerns over Trump's ongoing trade and immigration policies and warned the economic dangers. He also claimed that these protectionism policies would disrupt the free flow of food and may even lead to

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provoke famine, cause conflict and even war like situation.

**Market Data**

NY Sugar No. 11			
Symbol	Settle	Low/High Week	Open Interest
Mar'17	21.11	20.13/21.40	259,851
May'17	20.91	20.20/21.15	184,432
Jul'17	20.58	19.93/20.76	162,713
Oct'17	20.37	19.79/20.47	92,481
Mar'18	20.29	19.95/20.35	76,801
May'18	19.58	19.31/19.63	21,610
Jul'18	18.86	18.64/18.90	15,081
Oct'18	18.43	18.07/18.46	15,461

Sugar No. 11 Spreads		
Symbol	Settle	Low/High Week
Mar'17/May'17	0.20	-0.07/0.27
May'17/Jul'17	0.33	0.23/0.40
Jul'17/Oct'17	0.21	0.13/0.29

London No.5			
Symbol	Settle	Low/High Week	Open Interest
Mar'17	550.90	534.00/555.00	23,623
May'17	555.70	538.20/559.30	34,662

Soft Commodities		Last	Low/High
		30/01/2017-15:33 UAE	
Coffee		145.85	145.80/146.90
Soybean		1037'2	1026'2/1039'4
Corn		366'6	364'4/368'6
Wheat		430'6	427'6/432'2

FOREX	Ask	Low/High	Time UAE
EUR/USD	1.07409	1.07333/1.08000	16:05:12
BRL/USD	3.1139	3.1066/3.1180	16:05:10
MYR/USD	4.4265	4.4230/4.4275	16:07:20
CNY/USD	6.8608	6.8550/6.8696	16:02:10

Metals	Last	Low/High
COMEX Gold	1228.0	1220.8/1229.0
COMEX Silver	17.610	17.460/17.645
COMEX Cooper	2.6325	2.6150/2.6460
COMEX Platinum	1013.8	1004.6/1016.4

Energy	Last	Low/High Week
WTI Oil	53.83	52.24/54.34
Brent Oil	56.81	54.96/57.45

**Highlights for this week: -**

- Forecasts that the central Pacific Ocean temperatures will increase in the next few months could suggest a return of El Nino conditions in the southern hemisphere winter-spring period, according to the Australian Bureau of Meteorology.
- Russia, IKAR forecasts 6.1MMT in 2016/17 and 5.8MMT in 2017/18.
- France is expected to produce 4.583MMT of beet sugar for 2016/17.
- Indonesia: The government's decision to fix the ceiling of domestic retail sugar prices at IDR 12,500/Kg until December 2017to control inflation

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