



Weekly Sugar Editorial: Without a Trace

Both London No 5 and NY No 11 rallied heavily on Friday triggered by a big move from commercial players which eventually picked up by system traders, pushed the market by 120 points overnight even without much liquidity.

We have seen large specs have reduced their position on the long side leaving small specs increased substantially, an abnormality from their usual appetite.

We remain bearish medium term, the bull is exhausted and should see market subside to last week's level anytime soon.

Fundamentals

Bloomberg has reported that China may sell sugar from its state reserve to crackdown the illegal smuggling. They are expecting to release around 300,000 to 500,000MT as early as October.

The Vice Chairman of China sugar association (CSA) also indicated that as much as 2 million MT of sugar could be offered from reserves in the 2016-17 season starting next month, currently the stockpile is at 7 million MT. In 2010-11 the government had sold 1.87 million MT of the stockpile.

About 2 million MT of sugar were smuggled into the country in 2015-16 up from 800,000 MT a year before. The industry is likely to introduce a QR code system

for domestic sugar sold at markets to trace producers and help reduce unofficial trade.

UNICA came up with the results of SH August results. The sugarcane crushing totalled 38.31 million MT, 19.32 per cent lower than last year. The production of sugar arrived at 2.54 million MT which is 10.98 per cent lower than 2015.

One of the major factors that may have reduced the amount of cane crushed and consequently the total sugar are the rains that lowered the pace of crushing.

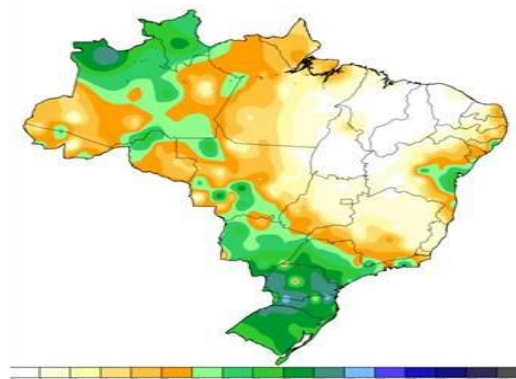


Figure 1 Map showing accumulated rainfall in 15 days in Brazil. i.e. accumulated precipitation

The rains continued in South-Central region but were much scarcer with a quick passage. It is highly likely that the next UNICA report will indicate normal production level.

In Brazil, the harvest of 2016 has already produced 393.66 million tons of sugarcane, 6.35 per cent higher than the same period previous year. Currently the

rainfall in India remains below historical average, in Uttar Pradesh stood almost 40 per cent behind expectation. The sugar prices have also been affected and it hit 3-year high on tighter domestic market.

London white sugar Oct 16 contract expired this week with 2,765 lots or 138,250 MT for delivery with one house taking and two trade houses delivering. On the container whites there were a total of 210 lots or 10,500 MT delivery with two trade houses delivering and three receiving.



Figure 2 As per our technical analysis, we are reaching the top and can expect a breakout as market has broken 21.22 cents/lb high. A retracement is highly likely to happen. Elliot Wave chart showing the market is about to reach the top and next move is downward.

Macro

The macro was boring this week with no such news coming in. FED hike dilemma seems to be getting over as market is speculating that a possible hike can happen after the US presidential elections. BoE

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continued to keep its rates at 0.25 per cent the lowest level in the BoE's 322-year history. The bank also said that it was still likely to cut interest rates to just above zero later this year.

Crude oil prices were lower as traders speculate an increase in oil exports from Libya and Nigeria as well increase U.S oil inventories.

Market Data

NY Sugar No. 11				
Symbol	Settle	Weekly Variance	Low/High	Open Interest
Oct'16	21.78	+8.95%	20.45/22.20	152,069
Mar'17	22.47	+8.60%	21.12/22.86	443,870
May'17	21.59	+6.40%	20.62/22.02	121,585
Jul'17	20.77	+4.89%	20.06/21.20	75,227
Oct'17	20.11	+2.96%	19.67/20.51	52,417
Mar'18	19.66	+1.65%	19.44/20.05	21,851
May'18	18.87	+0.42%	18.74/19.23	6,973
Jul'18	18.19	-0.65%	18.12/18.52	4,942
Oct'18	17.76	-1.60%	17.70/18.10	4,253

Sugar No. 11 Spreads			
Symbol	Settle	Weekly Variance	Low/High
Oct'16/Mar'17	-0.69	+1.44%	-0.75/-0.64
Mar'17/May'17	0.88	+120%	0.49/0.91

May'17/Jul'17 0.82 +67.34% 0.57/0.84

London No.5				
Symbol	Settle	Weekly Variance	Low/High	Open Interest
Dec'16	583.40	+7.20%	554.60/591.90	34,405
Mar'17	583.40	+5.66%	557.50/592.40	20,562
May'17	573.60	+3.89%	549.90/582.90	11,321
Jul'17	557.20	+2.45%	539.90/566.10	5,175

Soft Commodities				18/09/16-10:30 UAE
	Last	Weekly Variance	Low/High	
Cocoa	2813	+1.25%	2793/2848	
Soybean	966'2	-0.61%	945'6/969'0	
Corn	336'2	+2.43%	327'4/338'2	
Wheat	403'4	+0.75%	393'6/404'6	

FOREX	Ask	Weekly Variance	Low/High	TimeUAE
EUR/USD	1.11566	-0.82%	1.11496/1.12501	10:03:11
BRL/USD	3.2620	-0.35%	3.2610/3.2620	10:04:11
MYR/USD	4.1500	+1.06%	4.1150/4.1500	10:04:55
CNY/USD	6.6705	-0.10%	6.6705/6.6715	10:05:10

Metals	Last	Weekly Variance	Low/High
COMEX Gold	1313.2	-1.35%	1309.2/1321.5
COMEX Silver	18.835	-0.99%	18.715/19.085
COMEX Cooper	2.1590	+3.89%	2.1475/2.1680

COMEX Platinum 1018.5 -3.78% 1010.0/1038.1

Energy	Last	Weekly Variance	Low/High
WTI Oil	43.19	-4.00%	42.74/43.75
Brent Oil	45.77	-2.86%	45.48/46.41z

Highlights for this week: -

- Indian monsoon likely to be below average as per IMD. The IMD had forecast excess rainfall in the month of August and September on the assumption of La Nina which is looking unlikely now.
- Brazil sugar to Arab countries during the month of August increased by 17% year on year, with main three buyers Saudi Arabia, the UAE and Egypt.
- Rabobank increased its deficit forecast for 2016/17 crop to 7.9MMT from 5.5MMT.
- Russia has harvested 8.150 million MT of beet sugar as of September 12.
- Mills in Indonesia are expected to produce 2.327 million MT in 2016, down 7 per cent from last year.
- Wet weather in Australia disrupted the crushing at Wilmar and Mackay sugar mills from September 8-12.

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