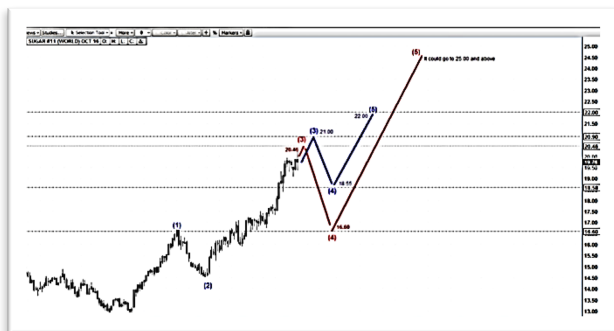


WEEKLY SUGAR EDITORIAL: FED UP WITH BREXIT

“Crazy”!! That’s the best word to describe how the market worked for the last five sessions especially on Thursday, 5 hours of adrenaline rush looking at the market gone wild, touched 20 cents/lb and had a flash crash in 5 minutes dropping 87 points. We suspect ‘system trading’ is the saviour of the day filled with nerves and panic. Again, consumers are waiting for a major pullback, our technical analysis showing a retracement to 16.60 c/lb (see below Elliott Wave Chart) but psychologically we do expect a brief drop before buying starts coming in again, same as what we experienced in early April 2016.

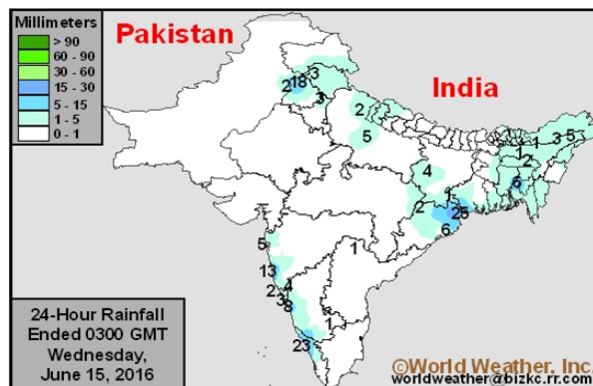


Bullish news that we highlighted last week was well absorbed by the market during early of the week, we saw market climbed from 19 c/lb level and tested above 20 c/lb

on “Crazy Thursday” and dropped to 19.35 c/lb despite lower UNICA numbers from earlier estimate of 32.48 million MT cane and sugar yield at 1.38 million MT.

Fundamentals

We have seen fresh demands in white imports from the Philippines, Vietnam, China and Indonesia, and some of the Thai Millers start buying back the contracts. China’s crop finished at 8.7 million MT, far lower than expected. Basically the market today is considered undervalued and only the funds still carry the longs which doesn’t imply the true value of the market.



India imposed a 20% export tax for both raw and white sugar which was well expected by the market. ISMA (Indian

Sugar Mills Association) however is very confident that there could NOT be any shortages in India despite lower monsoon (Overall India still 30% behind normal rain). The Government has estimated 23.5 million MT of productions with 7 million MT in opening stocks which is more than enough to cater 26 million MT of annual consumption, leaving 4.5 million MT to be carried over to 2017/18 or a surplus.

Macro

The limelight of this week was taken up by Brexit as few UK based surveys indicated that voters are more tilted towards leaving EU, even though the margin was very small this news led to European equity market fall by more than 1%.

In addition, the bond yield in Europe which have been declining for a year encountered its biggest ever disappointment when Germany’s 10-year government bond sank below zero on Tuesday for the first time ever on indication of a possible British exit, however the bond yield rose back into positive territory on Friday as chances of Britain leaving EU were seen receding.

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Other countries government bond also witness decline with the yield of 10-year Japan government bond traded negative at 0.193 percent on Thursday, while U.S. 10-year Treasury yield touched four month lows at 1.541 percent.

Crude fell under a fifth day of pressure but the dollar declined and the CRB ended near unchanged. Likewise, the Brazilian real ended inconclusively at 3.47. Fed commentary from their meeting included ideas that the pace of improvement in the labour market has slowed while growth in economic activity appears to have picked up. Fewer Fed officials expect the central bank to raise rates more than once this year. In other macro news, Donald Trump had a bad day falling further behind Clinton in a poll that had Clinton ahead 63% to 37%.

Market Data

NY Sugar No. 11			
Symbol	Settle	Low/High	OI
July'16	19.76	19.66/20.11	129,706
Oct'16	19.90	19.73/20.20	462,663
Mar'17	20.02	19.80/20.23	186,447
May'17	19.09	18.91/19.32	43,352
Jul'17	18.40	18.26/18.61	36,605
Oct'17	18.09	17.97/18.28	28,787
Mar'18	17.91	17.86/18.09	12,191
May'18	17.46	17.41/17.62	3823
Jul'18	17.11	17.00/17.26	4231

Sugar No. 11 Spreads		
Symbol	Settle	Low/High
July'16/Oct'16	-0.14	-0.15/-0.05
Oct'16/Mar'17	-0.12	-0.14/-0.03
Mar'17/May'17	0.93	0.87/0.94
May'17/July'17	0.69	0.64/0.71

London no.5			
Symbol	Settle	Low/High	OI
Aug'16	536.00	533.40/542.70	43,695
Oct'16	535.10	533.00/541.70	26,217
Dec'16	533.60	531.70/540.00	14,701
Mar'17	532.00	528.70/537.00	11,632

FOREX	Ask	Low/High	Time-UAE
EUR/USD	1.1252	1.1223/1.1296	19:42:10
BRL/USD	3.4347	3.4248/3.4895	19:43:10
MYR/USD	4.0980	4.0899/4.1103	19:44:10
CNY/USD	6.5860	6.5860/6.5910	19:45:10

As on 17-06-2016

Soft commodities	Last	Low/High
Cocoa	3098	3069/3125
Soybean	1154'4	1132'4/1159'0
Corn	424'4	423'4/436'4
Coffee	140.40	138.60/142.15

As of 20.07 UAE 17-06-2016

Energy	Last	Low/High
WTI Oil	47.51	45.83/47.74
Brent Oil	48.60	47.25/48.88
Gasoil	435.75	422.50/437.50
Ethanol	1.670	1.660/1.685

Metals	Last	Low/High
COMEX Gold	1273.6	1267.3/1280.9
COMEX Silver	17.270	17.160/17.380
COMEX Copper	2.0300	2.0175/2.0455
COMEX Platinum	992.1	988.3/1005.8

Highlights for this week: -

- Net spec long position reached new record at 315,438 as of 7th June, this is an increase of 16,507 from last week.
- India: Sugar production comes to an end in Maharashtra with a 20% drop.
- An interesting point is the current net long is equivalent to approx. 26MMT.
- Second half of June is expected to be dry in Brazil hence enabling high volumes of crushing and production also we will find improvement in the shipments.

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