



Weekly Sugar Editorial: Sugar slides again!

Many reasons are being given to the fall of prices on Thursday, some claiming it to be large liquidation by the funds, lack of movement, fallout of HK spread, and the possibility of sizeable delivery against March.

It seems that march may be stuck between 19.50-20.10 cents/lb by expiry as the market has moved to May on the assumption that the Indian government will not lower the import taxes anytime soon.

Fundamentals

The story from India seems even worse with analyst cutting down the production estimate to 21.3MMT we even heard that one particular analyst indicating the India will only produce around 20.5MMT which seems unrealistic. As on 15th January India produced 10.48MMT of sugar which is 592K lower than last year with only 399 mills still operating, down from 492 mills last year.

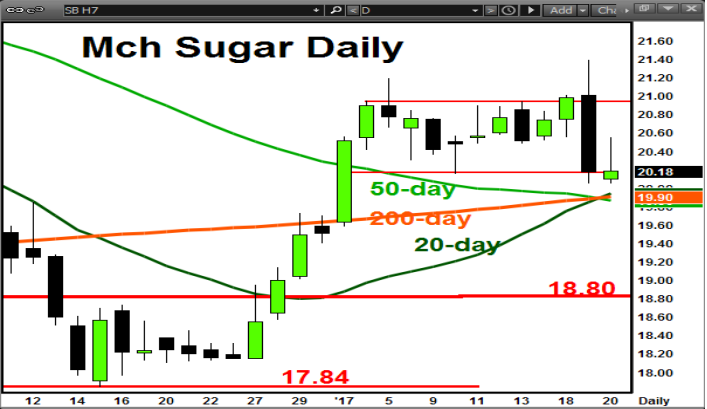
ISMA still claims that the country will not need to Import this year as they have enough stockpile to cater to the end of the season, however certain section of the society are raising voices that ISMA and millers are manipulating the production data as they don't want the government to make any changes in the import policy as the prices currently are high and favourable to the mills and refineries who have had a tough time in past 2-3 years.

ISMA is currently analysing the satellite images in order to make its second 2016/17 estimate, which will be made at its next meeting on 25th January. However the

market seems to have absorbed these news and is expecting a clarity on this by next quarter. There has been market rumours that the Chinese government may auction 250K of their stocks.

The white sugar market will see the re-entry of the traditional export player with EU quota system ending on Oct17. Prior to quota limit EU used to export 7 million MT of sugar annually with a greater portion going to MENA region, however we still feel that it will take a while for EU producer to reach that level and may be able to export 2-2.5 million MT.

EU key players such as Tereos have already started work on increasing the production capacity of the refineries and are also setting up Trade houses in key regions, as per the information that we received during the quota phase the refineries were working on 65% of their capacity.



Macro

Donald Trump took over the as the 45th President he has been pitching in “Making America Great Again” and has already started unpicking some of the predecessor’s policies. His thoughts on the foreign policies have been widely criticised, such as that to declare that he would walk out of TPP trade agreement.

We may see the rivalry between China and America intensifying more in this Trump Administration which was seen in Xi Jinping statement where he said that if the US doesn’t support the global trade and globalisation then we are happy to step in”.

USD had strengthened after the election result, however we are seeing that the investors are still sceptical on the impact and timings of his policy. World leaders especially from South East Asia and Middle East are closely monitoring Trump policies and announcement towards their region.

Market Data

| NY Sugar No. 11 | | | |
|-----------------|--------|-------------|---------------|
| Symbol | Settle | Low/High | Open Interest |
| Mar'17 | 20.18 | 20.05/20.54 | 314,304 |
| May'17 | 20.22 | 20.03/20.46 | 176,398 |

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|--------|-------|-------------|---------|
| Jul'17 | 19.93 | 19.69/20.12 | 153,556 |
| Oct'17 | 19.70 | 19.37/19.82 | 85,129 |
| Mar'18 | 19.59 | 19.17/19.64 | 61,040 |
| May'18 | 18.96 | 18.56/19.00 | 19,586 |
| Jul'18 | 18.36 | 17.95/18.38 | 13,222 |
| Oct'18 | 17.96 | 17.54/17.84 | 14,124 |

| Sugar No. 11 Spreads | | |
|----------------------|--------|------------|
| Symbol | Settle | Low/High |
| Mar'17/May'17 | -0.04 | -0.06/0.08 |
| May'17/Jul'17 | 0.29 | 0.27/0.38 |
| Jul'17/Oct'17 | 0.23 | 0.21/0.34 |

| London No.5 | | | |
|-------------|--------|---------------|---------------|
| Symbol | Settle | Low/High | Open Interest |
| Mar'17 | 530.40 | 528.00/536.80 | 33,779 |
| May'17 | 535.00 | 532.50/540.80 | 29,179 |

| Soft Commodities | | |
|------------------|--------|---------------|
| | Last | Low/High |
| Coffee | 155.35 | 152.90/156.10 |
| Soybean | 1059'0 | 1056'2/1069'6 |

| | | |
|-------|-------|-------------|
| Corn | 368'2 | 367'4/370'0 |
| Wheat | 426'4 | 424'0/427'0 |

| FOREX | Ask | Low/High | Time UAE |
|---------|---------|-----------------|----------|
| EUR/USD | 1.07385 | 1.06930/1.07549 | 19:25:12 |
| BRL/USD | 3.1671 | 3.1547/3.1711 | 19:26:10 |
| MYR/USD | 4.4360 | 4.4384/4.4485 | 19:27:20 |
| CNY/USD | 6.8513 | 6.8343/6.8764 | 19:38:10 |

| Metals | Last | Low/High |
|----------------|--------|---------------|
| COMEX Gold | 1215.4 | 1209.0/1219.4 |
| COMEX Silver | 17.165 | 17.075/17.286 |
| COMEX Cooper | 2.6370 | 2.6130/2.6880 |
| COMEX Platinum | 983.4 | 978.00/988.50 |

| Energy | Last | Low/High |
|-----------|-------|-------------|
| WTI Oil | 52.47 | 52.21/53.47 |
| Brent Oil | 54.97 | 54.65/55.75 |

Highlights for this week: -

- Brazil exported a record 28.576 MMT of sugar in 2016 which is up by 35% from 21.169 in 2015.

- India: Carry forward stocks for 2016-17 season ending September 17 will be 5.21 MMT as per the Ministry of Consumer Affairs.
- Indonesia raw sugar demand for the country is 3.4MMT in 2017.
- Brazilian CEPEA forecast a global deficit of 2.6 MMT for 2016-17.
- Thailand: November exports up 6.2% on month on Chinese Demand.

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