



**WEEKLY SUGAR EDITORIAL: “No 11 Loosing Grip, Funds Relentless”**

We have seen funds starting to liquidate their longs, not intensely but meaningful amount to leave some nervousness to some market players. No 11 was weak for almost of the week, only towards the end, market rally to follow BRL/USD strong move to leave strong closure in investors book at least for now.

We also sensed the funds have reduced their appetite following weaknesses in CRB Index this week and most commodities that have been elevated by strong diversification during early June 2016 now is technically on liquidating signal. (Refer Table 1)

Most trades are reviewing their 4<sup>th</sup> quarter trade flows following bumper sugar production in Brazil and Australia, at this level of the market seen demand has slowed significantly and VH switch is also weakening.

We also have noted that Argentinian sugars are still in the market, we believed to be as much as 200,000 MT and could be sent to the tape another round by end September, however, quality wasn’t acceptable to major sugar destinations. Wilmar has no business this time around for the Argies however, we saw they are aggressively buying from Brazil at cash market, making it more difficult for others to deliver this time around. We suspect, if Argies failed to find home, VH can go to at least -70 carry.

**Fundamentals**

This week Datagro revised their world sugar balance deficit for 2016-17 to 8.88MMT from the previous estimate of 7.10MMT as well amended the deficit numbers for 2015-16 to 7.10MMT from 6.21MMT. The

revision was mainly motivated due to lower cane supply, especially in the last third of the season, as a result they have reduced the sugar production estimation to 34.1MMT down from 35.2MMT in Brazil. However, the positive thing is that they have improved the estimate for sugar production in India to 22.4MMT from the previous estimate 21.5MMT due to improved weather conditions with monsoon rainfall almost 6 percent higher than the historical average.

Another analyst Greenpool reduced their deficit numbers for 2016-17 from 6.503MMT to 5.154MMT after noticing the production increase in Europe and Brazil, last week Platts also had lowered their numbers.

UNICA has released the result of FH16 July crushing. Cane crushing reached 46.74MMT up 58.9 percent same period last year, sugar production reached 2.83MMT higher by 94.9 percent compared with last year, TRS content was well within expectation at 125.40 or 1.89 percent above last year. Currently, the cumulative sugar production in Brazil is at 13.806MMT. However, UNICA did not mention whether the 4 mills that had failed to start crushing up until the end of June had started or not.

The weather forecast in Brazil is showing a continuation of the dry weather across CS region, for FH August the forecast shows only 1mm of rainfall.

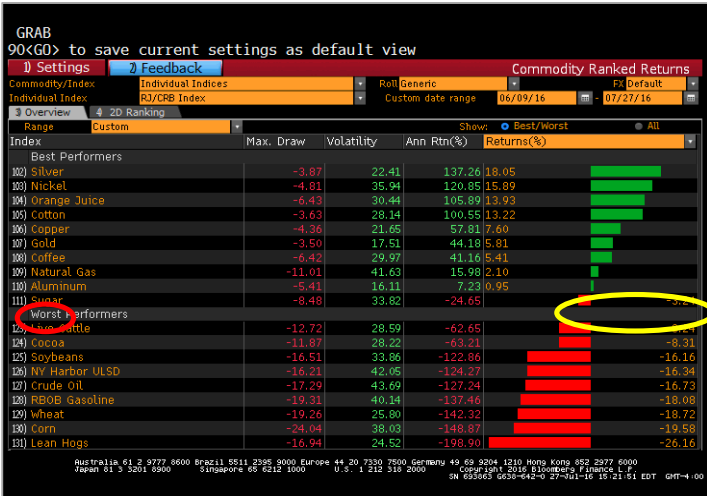


Table 1: Showing performance of Sugar NY against other commodities for the period 9th June-27 July16.

**Macro**

As expected the Fed reserve kept the interest rate unchanged for July meeting. The fallout led to global markets rebound, U.S dollar fell against emerging-nation currencies and gold boosted. The investment expansions also slowed down in US, and now many questioning the economy’s durability as the presidential campaigns head into its final stretch.

BOJ also followed the FED footprints by keeping their interest rate unchanged however eased its monetary policy further by increasing its purchase of exchange-traded funds(ETFs). The Japanese yen surged against dollar after the announcement with dollar-yen falling low as 102.85 compared to 103.75 before the announcement.

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The crude oil which hit a year-high above USD 52 in June has slipped almost 20 percent leading it to a bear market. EIA data on Wednesday unexpectedly showed a 1.7million-barrel rise in U.S crude inventories which was adverse to the steady decline in previous weeks.

**Market Data**

NY Sugar No. 11			
Symbol	Settle	Low/High	Open Interest
Oct'16	19.05	18.71 /19.35	431,800
Mar'17	19.44	19.09/19.70	234,285
May'17	18.86	18.50/19.04	60,142
Jul'17	18.38	18.05/18.51	49,764
Oct'17	18.14	17.85/18.24	29,361
Mar'18	18.03	17.79/18.08	14,420
May'18	17.67	17.43/17.66	4,476
Jul'18	17.42	17.42/17.42	4,742
Oct'18	17.30	17.30 /17.30	4188

Sugar No. 11 Spreads			
Symbol	Settle	Low/High	
Oct'16/Mar'17	-0.39	-0.40/-0.33	
Mar'17/May'17	0.58	0.56/0.67	
May'17/Jul'17	0.48	0.44/0.56	
July'17/Oct'17	0.24	0.20/0.31	

London No.5			
Symbol	Settle	Low/High	Open Interest
Oct'16	528.40	516.60/531.40	44,525
Dec'16	529.40	518.50/532.20	18,556

Mar'17	527.70	518.00/531.10	15,955
May'17	517.80	508.20/521.30	8,100

Soft Commodities	Last	Low/High
Cocoa	2820	2815/2869
Soybean	1028'2	996'2/1028'2
Corn	332'4	328'6/333'6
Wheat	407'2	403'4/412'6

FOREX	Ask	Low/High	29-July-2016 TimeUAE
EUR/USD	1.11722	1.10735/1.11976	20:07:10
BRL/USD	3.2429	3.2290/3.2915	20:08:00
MYR/USD	4.0500	4.0450/4.0796	20:09:00
CNY/USD	6.6370	6.6337/6.6558	20:10:00

Metals	Last	Low/High
COMEX Gold	1346.4	1325.8/1349.2
COMEX Silver	20.285	20.005/20.440
COMEX Cooper	2.2215	2.1895/2.2395
COMEX Platinum	1152.2	1132.3/1163.8

Energy	Last	Low/High
WTI Oil	41.16	40.57/41.63
Brent Oil	42.15	41.80/42.83
Gasoil	370.25	364.75/374.25
Ethanol	1.420	1.420/1.420

***Highlights for this week: -***

- An Indonesian official in the industry ministry explained that Indonesian companies trying to import sugar were facing difficulties to procure sugar due to low supplies and high prices in international market.
- As on July 19, the COT report showed that non-commercial and non-reportable combined traders held a net long position of 369,507 contracts down by 11,535 contracts for the week.
- There are 37 ships waiting to load 1.43MMT of sugar in Brazilian ports in the week ending 27<sup>th</sup> July.
- A senior Indian food ministry official said the government is considering imposing stock limits on millers and re-introducing the monthly release mechanism to curb domestic sugar prices. He attributed high prices, rising to as high as INR 43/kg (USD 0.64/kg), to millers holding onto their stocks.
- Extremely wet weather has affected the quality of beet crops for the 2016/17 harvest, such that average agricultural yield is expected to reach 73.18 t/ha, compared to 73.21 t/ha previously estimated.
- Thailand exported 4MMT sugar on FH2016 compared with 3.6MMT.

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