

## **Market Update**

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## **Market Commentary**

### Sugar

The Raw Sugar market has done a complete 360 over the last week. The October 14 contract traded to a low on Monday of 13.36 US cents before bouncing nearly 200 points to 15.50, closing the week on a high of 15.41c/lb. March and May followed a similar pattern, increasing nearly 100 points in both contracts before closing at 16.56c/lb and 16.79c/lb respectively.

In the lead up to the October expiry the October/March spread has come in 150 points after blowing out to nearly 300 points. Which seems to indicate the market may have resolved some of its Thai surplus issues.

UNICA figures for the first half of September point to an early end for the Brazilian crop, with sugar production numbers closer to 32 million tonnes. Producers are finally swinging towards making ethanol as Brazil sees some rain, but not enough to reverse the effects of the drought.

The October expiry looks set to close with a bang and is difficult to predict with this increased volatility. Stronger futures prices have seen some good value come back to the sugar industry.

### Currency

The Australian dollar has had another positive fortnight falling nearly another 400 points and finally breaking the 87 US cent barrier. This is great news for Australian exporters.

US data continues to go from strength to strength, with the Greenback stronger against most currencies. The focus has turned towards the expected rate increase in the US, fuelling the momentum forward for the US dollar.

The Australian dollar continues to correct. We are now trading back at levels not seen since January 2014. The next barrier level lower is US 86.60 cents, which we could get close to over the next few days. The US recovery is giving immediate relief to the Australian exporters after a difficult few months.

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