



QSL Market Report

Stephen Stone, QSL Treasurer

Current as of 10 November 2014

Market Commentary

Sugar

The Raw Sugar market has struggled to stem the bearish sentiment over the past fortnight, as a succession of lower closes eventually led to the entire board making life-of-contract lows last week. The March 15 contract had dropped by nearly 100 points to 15.48 before a small relief rally on Friday closed the fortnight at 15.69 US cents per pound.

The Brazilian election reached its conclusion a fortnight ago with President Dilma returning to power for a second term. The subsequent depreciation in the Real has done little to support an already-flagging fundamental picture in sugar. Further weakness in the Brazilian currency presents yet another headwind for sugar prices.

The recently re-elected Brazilian Government raised the domestic gasoline price by 3% last week, providing support for ethanol production, however this is not likely to have much impact until the next crush.

Market sentiment will remain negative in the short term as we continue to contend with an over-supplied market facing a looming Thai harvest and weak demand.

Currency

The Australian dollar continued to slide lower against the stronger US dollar, trading a volatile range of 89.00 to 85.00 US cents over the fortnight.

US data remains strong, giving the market plenty of encouragement towards their economic recovery. Official comments from the US have been generally upbeat, which saw the Australian dollar make new calendar-year lows last week, a very encouraging sign for Australian exporters.

Downside risk remains for the Australian dollar, with a brief period of consolidation now likely before we re-test the psychological 85.00 cent level. US dollar strength is a market theme likely to dominate sentiment for some time.