RAW ANALYSIS OF WORLD SUGAR

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FUTURES MARKET

- The last thing sugar needed last week was continues weakness in marco markets but with the Greek (in reality the debt problems of Southern Europe) that is exactly what we got. Last week was little to do with sugar and most to so with negative sentiment.
- ISO pegs 2009/10 world deficit at 8.5mmt and a surplus of 2010/11 of 2.0mmt. World sugar markets will remain tight if they are accurate.
- Rabobank (for what it is worth) see the 2010/11 surplus at 7.0mmt—the market is trading like the surplus is above 10.0mmt.
- Brazil pricing scare as is pricing from other producers—this market is speculatively driven currently.
- Physical premiums are strong and the spreads are firm as well. Just the flat price stinks.

TECHNICAL OVERVIEW July 2010 No.11 Sugar:

Close 13.75	Short	Medium	Long
Trend	Down	Down	Down
Resistance	15.00	15.50	17.85
Support	13.00	13.00	13.00
	Last Week	Last Month	3 Months
Historical Range	13.00 to 15.28	13.00 to 17.85	13.00 to 24.10
Change	-1.40	-3.01	N/A

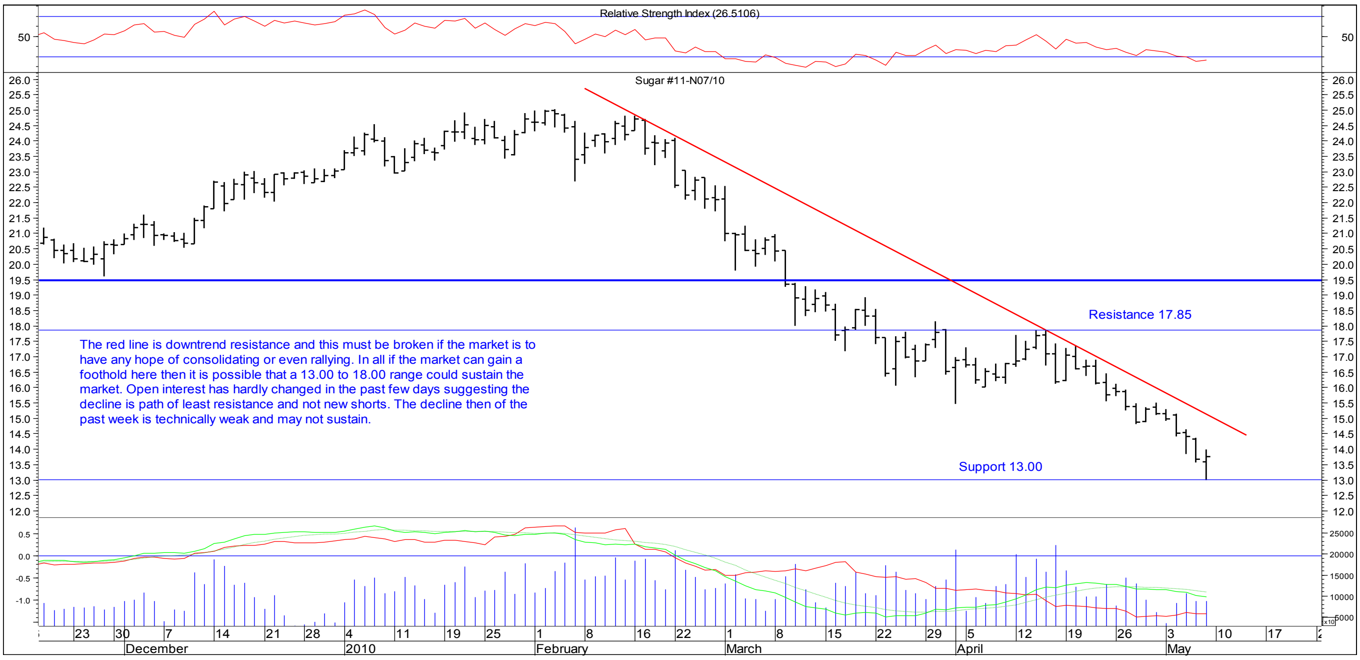
OUTLOOK

Range 1 -2 weeks: 13.00 - 17.00 Jul 10
Range May - Jul: 13.00 - 18.00 July 10
Range Aug – Jan: 12.00 - 19.00 Oct 10

Market Outlook: The market hit the exact 13.00 level and the low point of our recent projections and then bounced—well at least for Friday. Why 13.00? Well the chart on the next page will explain this in a longer term detailed technical outlook.

The market this week was really not about sugar but about problems in Europe. Sugar not only took a hit but so did crude oil and a number of other commodities. This weakness in other markets does not help a market like sugar which simply has not friends. No Friends—but it should. The physical premium for sugar are still strong suggesting sugar here and now is still tight (although futures markets are forward looking). The futures spreads have also stabilised suggesting some support—it is only the flat price that is weak.

The market is trying hard to now work out given still the tightness in sugar as to whether the market has overshot on the downside. This is difficult to know as almost everyone now is bearish and talking 10 cents, 12 cents, 8 cents. When everyone starts to talk lower then the market will usually (well eventually) go the other way. But problem is at times everyone can be right for a while.



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FUNDAMENTAL POINTS

- Aussie strengthens on European debt crisis.
- EU's finance ministers plans to establish common bailout funds of 60 billion Euro for troubled members hit by debt crisis in Greece.
- International Monetary Fund executive board approves 30 billion Euro loan to Greece.
- Volatility from the European debt crisis will continue, any European headlines are expected to cause reactions in the FX markets.
- US non-farm payrolls numbers were strong but failed to affect market sentiment.

TECHNICAL OVERVIEW - A$

Close0.8874	Short	Medium	Long
Trend	Down	Sideways	Up
Resistance	0.9093	0.9324	0.9406
Support	0.8711	0.8574	0.8153
	Last Week	**Last Month**	**3 Months**
Historical Range	0.8711 to 0.9275	0.8711 to 0.9389	0.8711 to 0.9389
Change	-0.0367	-0.0455	N/A

OUTLOOK

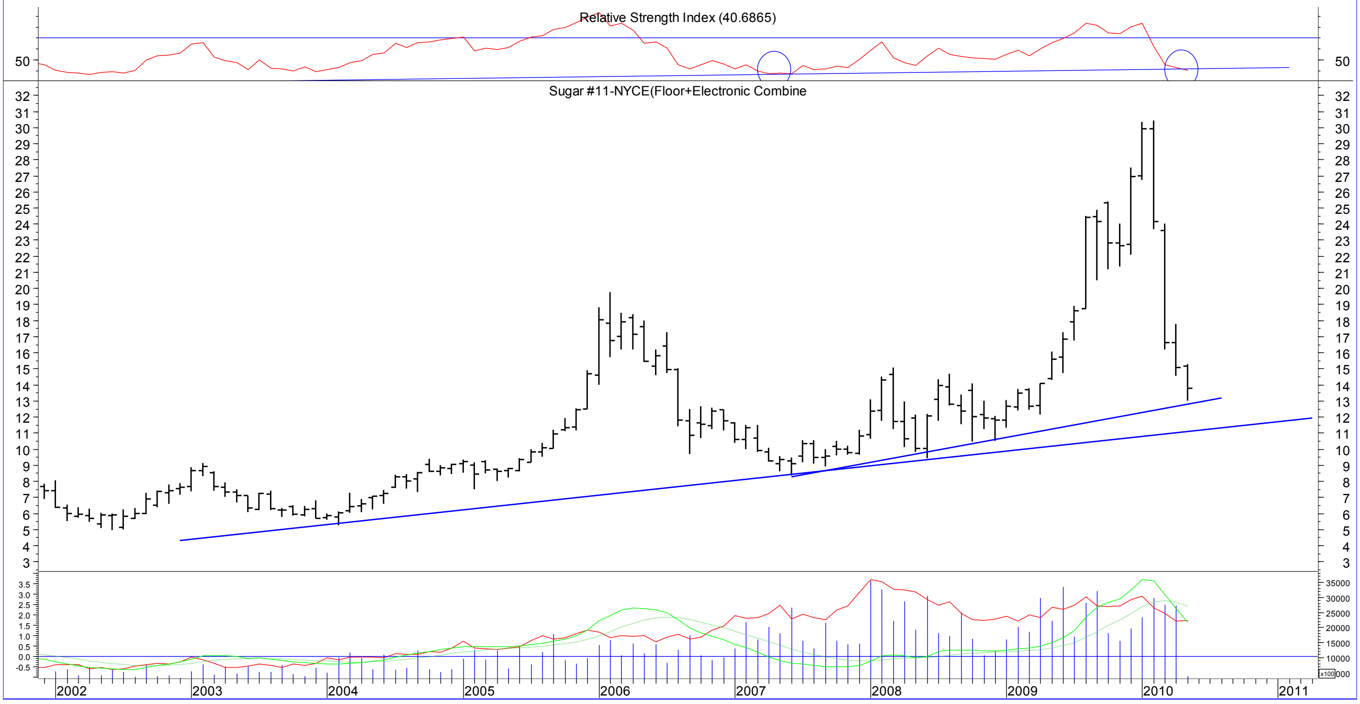
Range 1 -2 weeks: 0.8500 – 0.9000

Range May – Jul: 0.8100 - 0.9300

Range Aug - Jan: 0.7680 - 0.8700

COMMENT

The chart below is a monthly spot No.11 sugar futures chart. We have been monitoring an uptrend line as a base of support for the market and on Friday it was. Will it be from here on in—well that is the real question. There are two uptrend lines we have been keeping an eye on. The first which has provided support is based on the recent bull cycle while the other is based off the depth of depression in 2005 and is we suspect a much more significant support area (but it is currently at 11.40 c/lb). In the near term if the market can sustain a rally then it would strengthen the support line and we think it can in the near term, however, by the end of the year the market is likely to take a look at the lower trend line. This support level will not be at 11.40 at that stage but probably closer to 11.60 c/lb.



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