

RAW ANALYSIS OF WORLD SUGAR

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FUTURES MARKET

- Market backed off on profit taking Friday but overall the market is getting bullish.
- Tightness in nearby supply (bottlenecks in shipping out of Brazil) is a major cause and is now testing the nerves of consumers.
- The rally is a in the front end of the market with the back months struggling.
- The market stage now ignores bearish news until the charts turn. Fund money coming in on Thursday on the back of a solid day in many commodities was the major part of the rise for the week.
- Talk Russian crop will be in trouble but early tests question this.
- India has gone off the radar for the time being which means no crop concern there.

TECHNICAL OVERVIEW Oct 2010 No.11 Sugar:

Close	18.26	Short	Medium	Long
Trend		Up	Up	Down
Resistance		18.66	19.00	19.00
Support		17.52	15.12	13.67
		Last Week	Last Month	3 Months
Historical Range		17.07 to 18.66	15.12 to 18.66	13.67 to 18.66
Change		+1.15	+1.87	N/A

OUTLOOK

Range 1 -2 weeks: 14.00 - 17.00 Oct 10

Range Aug - Oct: 14.00 - 16.00 Oct 10

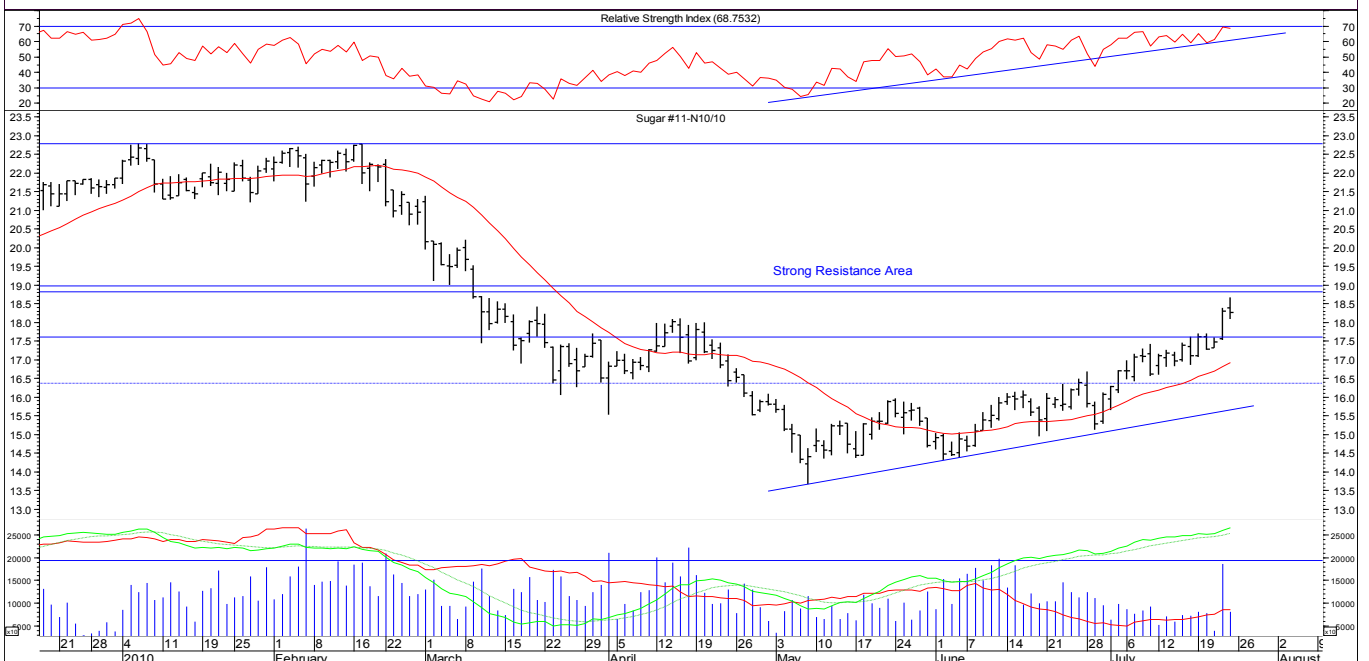
Range Nov – Apr: 14.00 - 18.00 Mar 11

Market Outlook: To our mind this is not the start of a new bull run. Call this a relief rally from the major fall earlier this year. It is nearby supply driven (ie more demand than Brazil can move) and it is backed up by fund short covering and new fund long positions as evidenced in the CFTC disaggregated report where the funds are net long 105,000 contracts.

Perhaps we just want to be contrarian however while Brazil is having trouble shipping sugar at present it is not having trouble making it and hence stocks are building. When all the near

terms noise plays out the strength of the market will come down to how the C-S Brazil crop plays out and how India goes. While the C-S crop tail off and/or will the Indian crop be 20mmt or 30mmt. Keep in mind India have been the major driver of the world surplus/deficit in recent years.

In the meantime the rally as usual has been confined to the front end of the market (ie 2010 season contracts) and is not being replicated in the back end. Can't have it all I suppose.



\$A**FUNDAMENTAL POINTS**

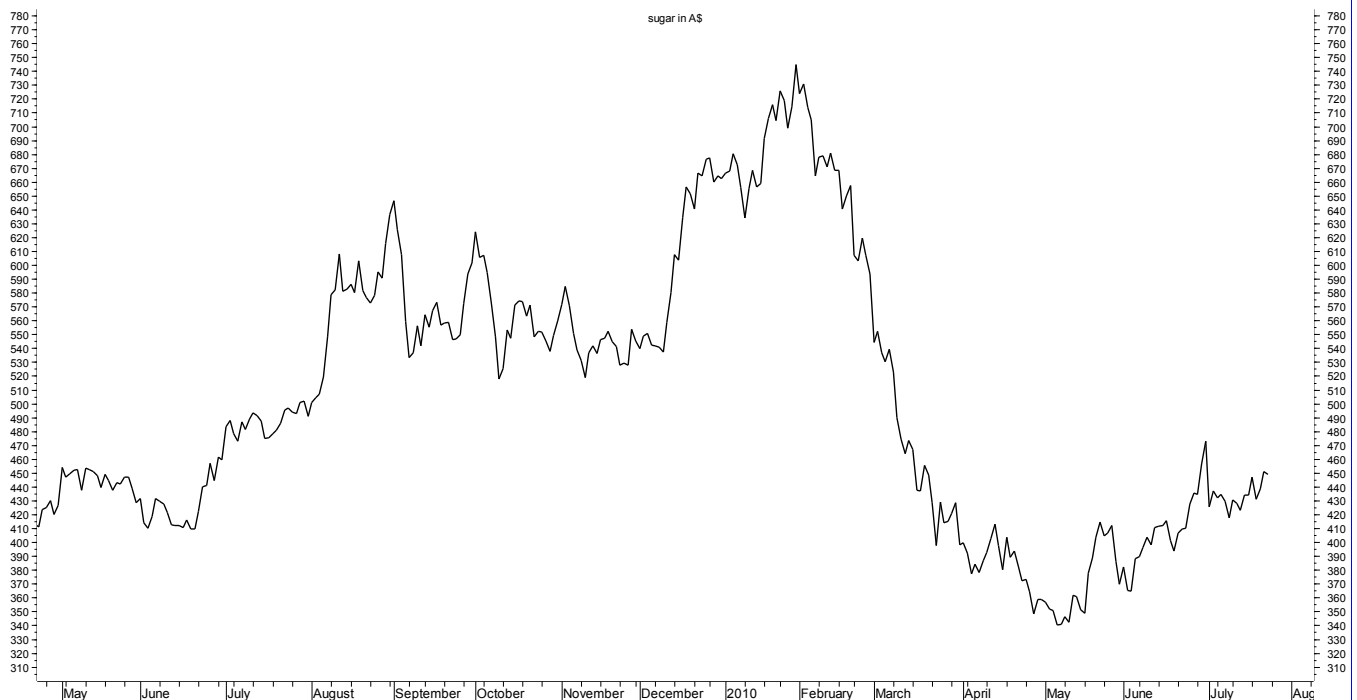
- General Electric states it will increase its quarterly dividend by 20%.
- Dow Jones Industrial closed up 0.99%
- Standard and Poor's 500 index closes 0.82% higher.
- Better than expected reports from the stress test on 91 banks in 20 European nations show 7 banks would not survive another financial crisis.
- Local Data: 26/07 PPI Q2, 28/07 CPI Q2
- International Data: 26/07 US Chicago Fed Activity June, 27/07 US S7P home price index, 28/07 US Fed's Beige Book, 30/07 UK GfK cons confidence, JPN CPI & Jobless.

TECHNICAL OVERVIEW - A\$

Close	Short	Medium	Long
0.8952			
Trend	Up	Sideways	Up
Resistance	0.8976	0.9079	0.9406
Support	0.8633	0.8317	0.8067
	Last Week	Last Month	3 Months
Historical Range	0.8633 to 0.8974	0.8317 to 0.8974	0.8067 to 0.8974
Change	+0.0270	+0.0216	N/A

OUTLOOK**Range 1 -2 weeks: 0.8100 – 0.8900****Range Aug – Oct: 0.7700 - 0.8500****Range Nov - Apr: 0.7700 - 0.8700****COMMENT**

The chart is the prompt No.11 futures contract converted into A\$/t. Note that even given the current rally in the futures the A\$ price is not making new highs. The strengthening A\$ is taking the shine off prices. Still in the front end of the market the rise in sugar has helped offset the rise in the currency however in the back end of the market (2011 season onward) the rising currency has prices very flat.

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