

RAW ANALYSIS OF WORLD SUGAR

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FUTURES MARKET

- Sugar finished on a weak note Friday on the back of generally marco weakness.
- Large fund net long position makes the market vulnerable to long liquidation. Funds have not been adding longs but shedding shorts.
- Concern over the Russian crop given recent dry conditions—early tests appear good however.
- The Ukraine crop is expected to be larger however by around 1.0mmt.
- Physical premiums remain strong and sugar remains tight in the nearby and buyers attempt to rebuild stocks.
- Market talking down the crop size in C-S Brazil to around 580mmt but time will tell on this.

TECHNICAL OVERVIEW Oct 2010 No.11 Sugar:

Close 17.11	Short	Medium	Long
Trend	Up	Up	Down
Resistance	17.61	18.10	19.00
Support	16.41	15.12	13.67
	Last Week	Last Month	3 Months
Historical Range	16.60 to 17.61	15.08 to 17.61	13.67 to 17.61
Change	+0.50	+1.73	N/A

OUTLOOK

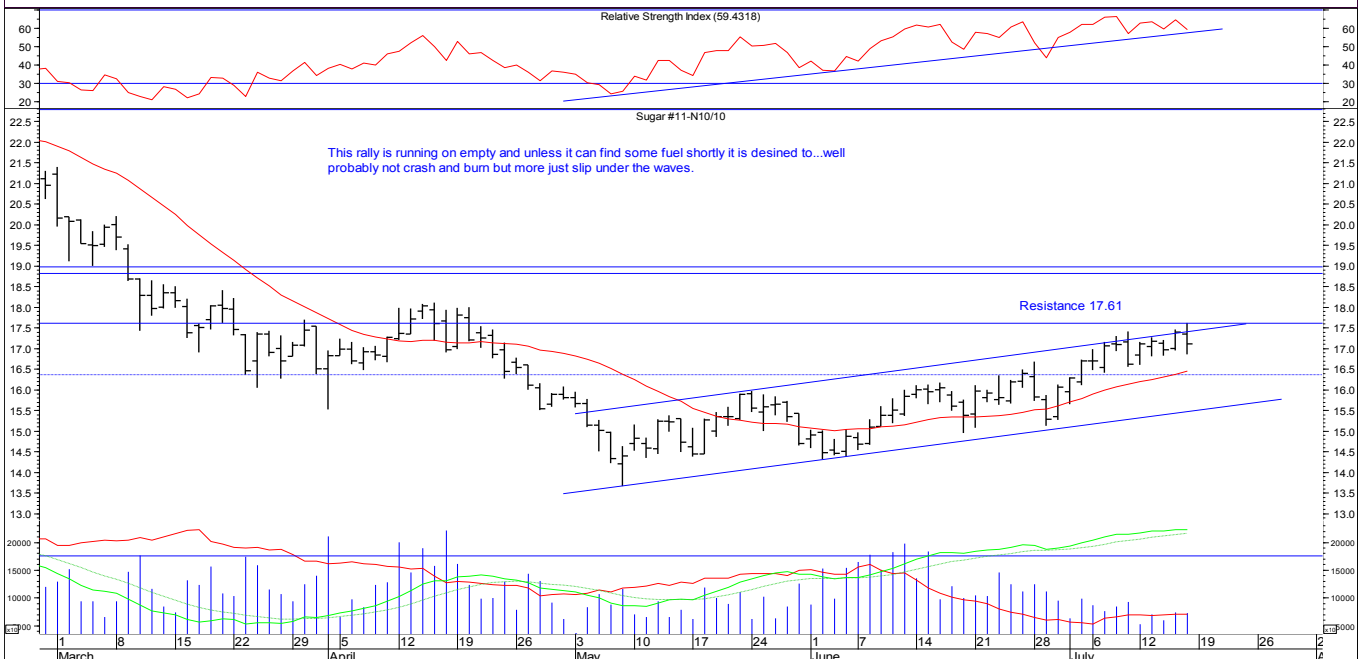
Range 1 -2 weeks: 14.00 - 17.00 Oct 10

Range Jul - Sept: 12.00 - 16.00 Oct 10

Range Oct - Mar: 12.00 - 18.00 Mar 11

Market Outlook: The market traded both Thursday and Friday above 17.41 but neither day closed above this level, our moderately bearish view is still intact although thoroughly tested. This rally is commercially led and fund participation appears more about covering stale shorts than any new long positions—hence the near flat line in open interest. As such we expect this rally to run its course and the market to trade lower. Certainly the market is looking for bullish news and we continually hear of the ship line up off Brazil, potential lower Brazil crop, potential problems

in Russia, Chinese floods but aside from this it is raining in India. If we sit back for a minute then India and Brazil are the key regions currently and the key regions going into the last quarter of this year. If the Indian crop is closer to 28-30mmt and the Brazil crop does not have a short tail then sugar will re-test 13 cents. For sugar to make headway (in our opinion) above 18 cents then India must have a problem and Brazil must have a short tail (sudden end to the crop).



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FUNDAMENTAL POINTS

- Aussie dollar weakens from lower risk appetite due to the slide of US Stocks.
- US Stocks slide on the back of poorer than expected profit results, raising concerns of a soft US economy.
- University of Michigan's consumer sentiment index dropped 9.5points in July to 66.5 points, its lowest reading since August 2009.
- All 30 of the Dows blue chip shares finished lower.
- S&P 500 index shed 2.88% to 1064.88 points.
- Investors will turn attention to Tuesdays release of the RBA minutes.
- Federal Election called for the 21 August is not expected to affect the \$A.

TECHNICAL OVERVIEW - A\$

Close	0.8686		
Trend	Down	Sideways	Up
Resistance	0.8871	0.8878	0.9406
Support	0.8317	0.8067	0.7697
	Last Week	Last Month	3 Months
Historical Range	0.8682 to 0.8871	0.8317 to 0.8871	0.8067 to 0.9324
Change	-0.0077	-0.0039	N/A

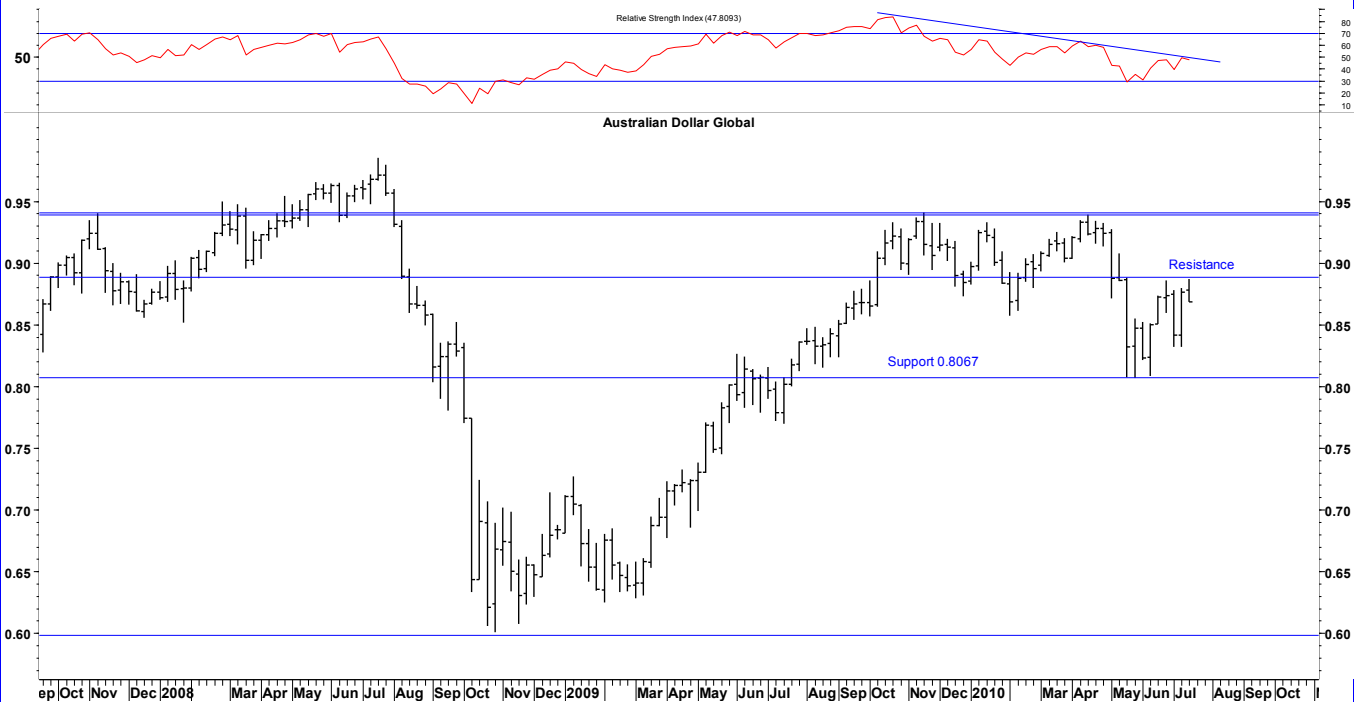
OUTLOOK

Range 1 -2 weeks: 0.8100 – 0.8900
Range Jul – Sept: 0.7700 - 0.8500
Range Oct - Mar: 0.7700 - 0.8700

COMMENT

The chart below is a weekly chart of the Australian Dollar. The turn back off this highs on Friday fits well with our ideas of a lower Aussie. Further proof would be another lower close this week or ideally a trade below 0.8300 which would set up a test of the 0.8067 level (previous good support) and we believe lower values to 0.7700. At any stage a break above 0.8900 would delay our view.

The Aussie is very much tied up in the outlook for world growth and hence when data or events are not positive to a world growth outlook the A\$ falls. Our long term view is that world growth will be slow (likely double dip recession in the US and possibly EU) and as such the A\$ has greater downside.



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