



**Capital
Markets**

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dds

The Global View Grain Report

Fact: Despair deaths. That would be alcohol, drug addiction and suicide. Recent data from the U.S. government shows that the life expectancy of Americans has fallen for the third straight year. That has not happened since the late 1910s. In 1918, the life expectancy of the average American was 39 years. Currently it is 78 years and seven months. It has fallen one month in each of the last two years. The increase in despair deaths is one of the reasons. From 2007 to 2017 the number of deaths attributed to alcohol has increased 35%. The number last year? 88,000. The largest surge percentage wise has come from women, some 85 percent. In men the increase is “only” 25 percent. Deaths by teens has actually fallen by 16 percent. The 45-64 age bracket has seen the biggest jump, some 25 percent. Alcohol addiction is three times more costly to treat than opioid addiction. Drinking is culturally acceptable. It is in the ads you see on TV. There are less restrictions on where and when you can drink. The drinking lobbies are very powerful. Imagine restaurants without booze. A good part of their margin is from drinks. Many restaurants have a bar as part of the establishment. Opioid or drug addiction is #2 with 72,000 deaths last year. Suicide is #3 with 47,000 deaths last year. Suicide rates were increasing at a steady rate from 1999, but accelerated in 2006 and the last few years have jumped even more. All three despair deaths tend to tie in with one another. One fifth of those that die from opioid overdoses have alcohol in their system. Even cancer is linked to excessive drinking. 15% of breast cancer cases are because of alcohol. Opioids have gotten the publicity but alcohol deaths are higher. What, you can’t take a drink?

Sugar perks up on positive news out of OPEC.

- 1) Volume today was 99,761 lots, 19% better than yesterday and 91% better than Wednesday, both down days. As we have seen in recent days a large chunk of volume is traded in the last half hour. How much? Today it was 27.6% of the entire day’s volume and in only 5% of the day’s active trading time. This is most likely short term algos or machine trading covering before the end of the day.
- 2) Crude rallied as much as 5.26% after OPEC came to an agreement to cut 800 kb/d along with 10 non-OPEC producers cutting another 400 K b/d (Russia 228K b/d). Even with that rally, the market still stayed within the recent range (high of 54.55, today 54.22) so neither gasoline or crude have really broken out of what could still be considered a large consolidation pattern. It closed up 2.42% at \$52.74.
- 3) But then sugar couldn’t hold above 13.00 cents, so the tentativeness in crude is being reflected in sugar. In fact, if you look at March sugar, it has been stuck in a 100-point range between 12.20-13.20. What has happened in that range? Open interest has increased 50,000 lots or 6.5%. The bulk of the rise is not in March (only 3,925 lots), but in May with an increase of 28,953 lots. (July, + 3,658, Oct, +5,090, March 20, +5,444, May 20, +893)

- 4) Where has the open interest come from? Trade long bought 50,000 lots. Trade short actually covered 30,000 shorts. But we also had funds adding 30,000 new shorts, small non-reportables adding 7,000 new shorts and index funds, 6,000 new shorts.
- 5) Today we will not have the Commitment of traders because of the Bush funeral and government shut down on Wednesday. It will be released on Monday.
- 6) Hydrous ethanol parity as of last night's close was 13.52, a decline of 1.52% from the previous day. Crystal sugar closed at 15.11, a decline of 1.75% from the previous day.
- 7) Hydrous ethanol as listed on CPEA fell 0.2% to 1749.5 Reais per cubic meter.
- 8) Yesterday at the JSC conference (Thank you Mr Frank Jenkins for a well put together event) it was suggested that Mexico could export 1.0 MMT of sugar on the world market. The USDA actually has suggests over 1.5 MMT. The question then arises, does Mexico have the proper logistics to do this in a timely way and is the quality sufficient to be able to deliver against the exchange if push comes to shove? If the sugar does wind up on against the board and logistics are questionable, then we could see the March/may crater, similar to what happened against London with the Indian sugar.

The fact that the trade is absorbing the new fund shorts below 13 cents over the last month is generally consider positive. Of course, crude oil during that time has fallen from 60.86 a barrel to today's close of 52.74, a drop of 13.3%. That potentially changes the parameters of the underlying ethanol. Petrobras has dropped the gasoline price from 1.6958 to 1.5585 per liter, a decline of 8.1% Hydrous ethanol parity according to DATAGRO has fallen from 14.14 to the 13.52 cited above, or 4.38%. That shows there is a correlation of sorts, but there is a lag time and the underlying price of ethanol is also influenced by ethanol supply or perhaps anticipated supply. We know that ethanol can't rally too much against gasoline price without impacting consumption eventually.

With such a swing potential in Brazil from sugar to ethanol or back again, as long as Petrobras keeps sticking to its market based pricing on internal gasoline than traders will be obliged to pay close attention to the international crude market. I write an energy blurb every morning. For those that aren't receiving it, feel free to ask.

So we end where we started. Crude has some more support form OPEC. Let's see if it can correct up and out of its current range.

Mike

March sugar

Support 12.49

Resistance 13.21



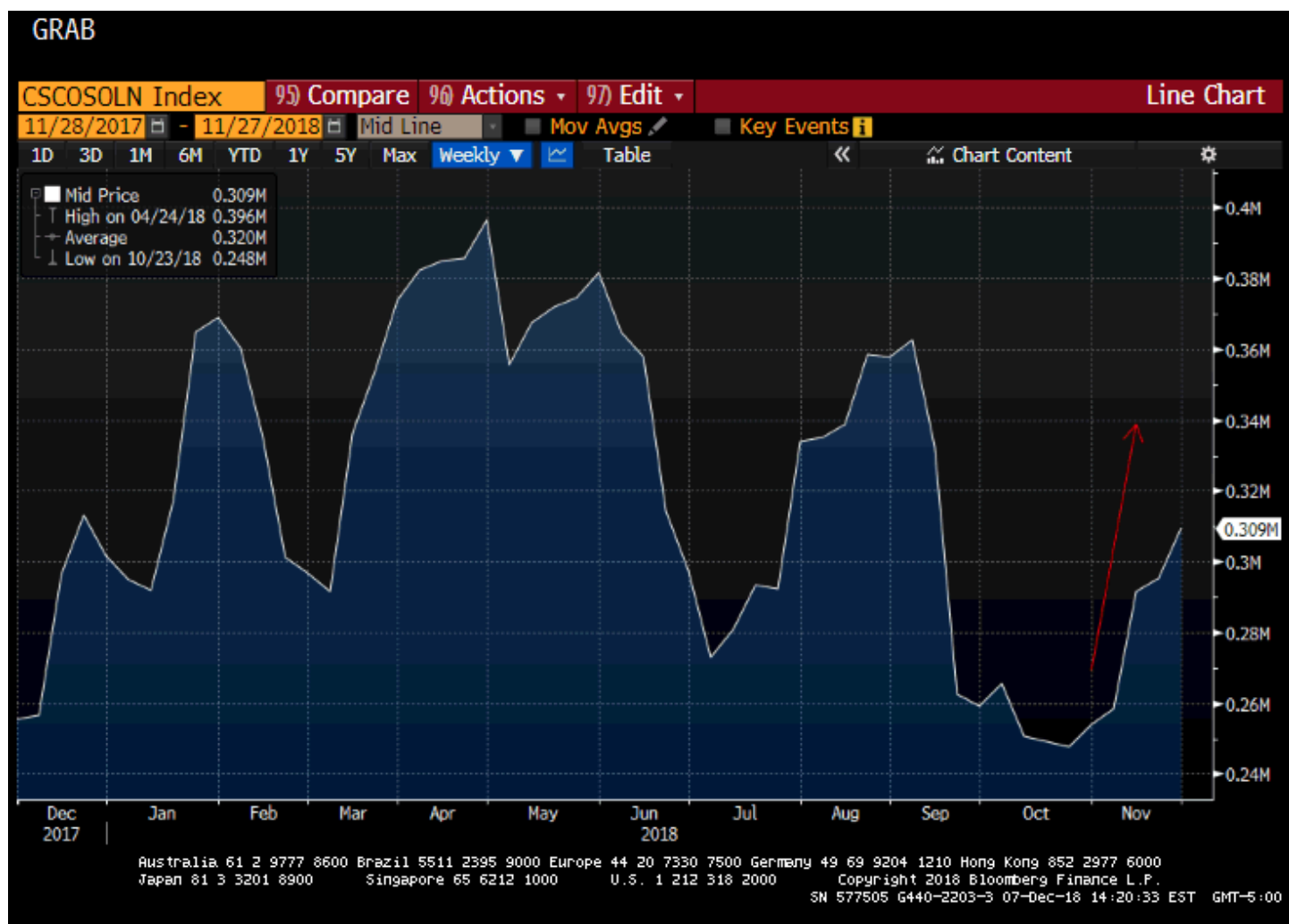
March/May spread



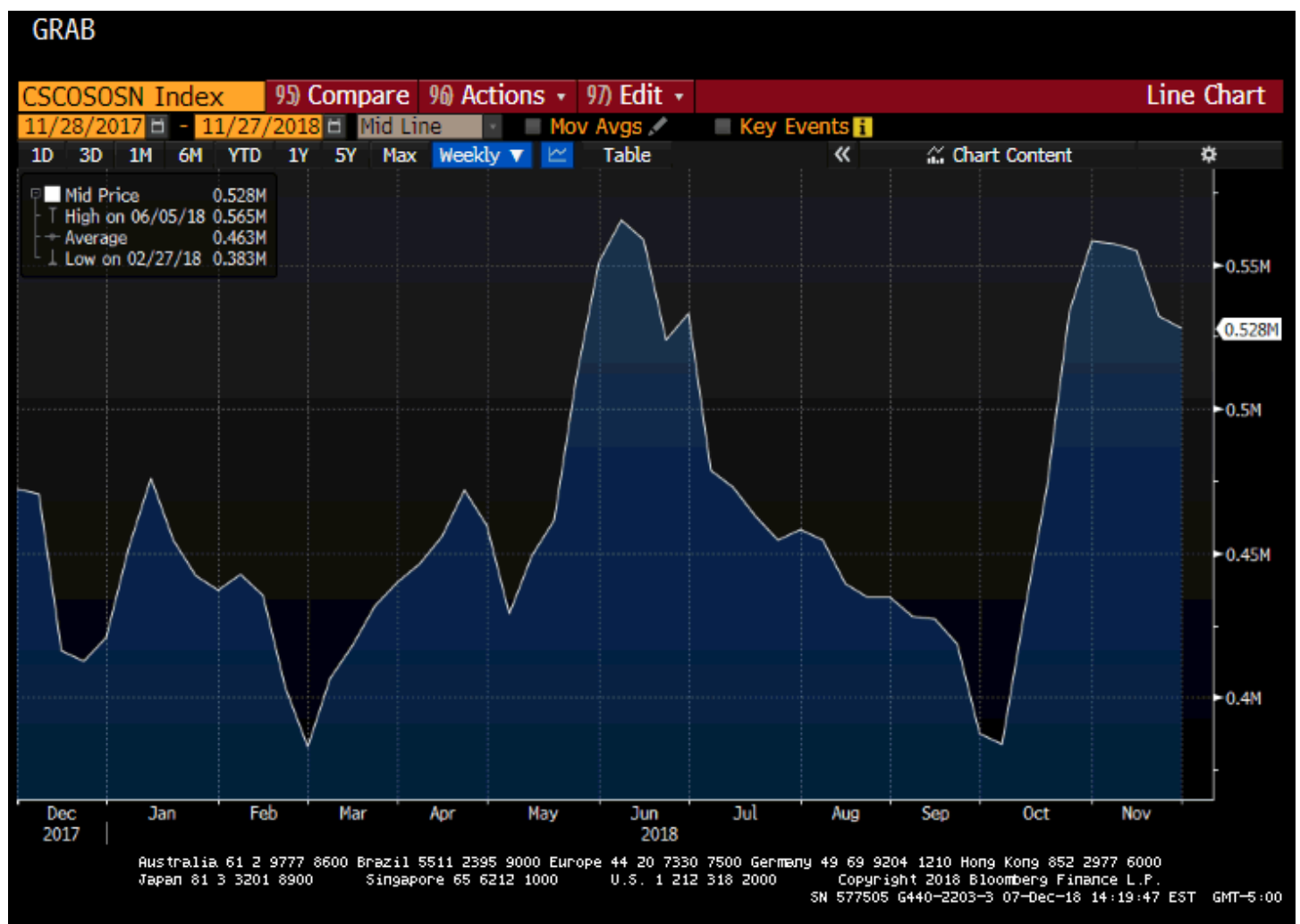
March/March white premium



Gross commercial long (50,000 lots of new longs)



Gross commercial short (30,000 lots of short covering)





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