

Carlsquare/Vontobel weekly trading note: A sugar moon might be on the rise

Over the past six months, the world market price of sugar has fallen by more than 20%. The price of sugar has been weighed down by a global surplus and stagnant demand. However, meteorologists have predicted that the summer of 2025 could be very hot, which could lead to higher sugar prices. On Friday 16 May, Moody's downgraded the US credit rating to Aa1 from Aaa, pushing up market interest rates and weakening the USD further.

Over the last six months, sugar prices have been falling, dropping from an average contract for difference (CFD) price of just over 22 US cents per pound to just over 17 US cents per pound. Strong production in Brazil and favourable weather conditions mean that supply is expected to remain robust. However, a weak USD could lead to reduced imports of sugar and sugar cane from Brazil to the US. Furthermore, several agencies have recently predicted extreme heat and prolonged drought for summer 2025. This could push up sugar prices until autumn.

Moody's downgrade of the US federal credit rating could lead to higher US national debt levels, as it has already caused an increase in US Treasury rates. However, for the time being, it seems that equity markets view this risk as manageable. From a technical analysis perspective, both US equity indices and the OMX appear to be rising. The DAX may be an exception, as it is currently slightly overbought.

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