

# As sugar finds its sweet spot, investors ask for how long?

Chris Prentice  
11 Hours Ago



COMMENTS Start the Discussion

NEW YORK, July 7 (Reuters) - After a four-year bear market, sugar has found its sweet spot.

Its steepest bull run in years has seen prices of U.S. raw sugar, the global price benchmark, more than double in less than a year, making one of the smallest commodity markets one of the best performing so far this year, outpacing two of the biggest, gold and oil.

Investors who have ridden the market to 2012 highs, betting on expectations of dwindling supplies from key growers like India and Thailand, are now wondering how much higher prices can go, still awaiting a long-anticipated deficit.

**"It's uncertain how much further the run-up can go ... The upside may be limited to another 10 to 15 percent," said David Martin, founder and managing member of Martin Fund Management LLC in New York which has \$82 million of assets under management.**

He placed bullish options bets when sugar, currently over 20 cents a lb, broke through 17 cents in May, reversing a longstanding bearish position. He said he is now positioned neither bullish or bearish.

World demand is expected to exceed supply for the first time in six years this year as drought in India, the world's second-largest grower, and unfavorable weather elsewhere in Asia threatens output.

But there is little sign yet of extreme nearby tightness to justify lofty prices above 20 cents, some say.

On Friday, data showing a drop in speculators' net long position offered the first sign appetite may be waning. The meager 270-lot decline marked the first time hedge funds have scaled back the record bullish bet they have held since May, worth some \$6 billion.

"I imagine (a correction) could be quite violent," said Doug King, chief investment officer of Merchant Commodity Fund in London. "There is no reason to believe the market could go to 25 cents. We don't have a shortage of sugar now."

Still, some commodity trading advisors (CTAs) that typically rely on technical indicators see little in the charts to call an end to sugar's sizzling run just yet.

Sameer Ahuja, founder and chief investment officer of Dera Capital Management in Harrison, New York, said he is watching for October futures to break a resistance at 21.25 cents, and then 24 cents, which would mark the highest since July 2012.

"We could be heading for levels seen in 2011," he said.

## DRAMATIC TURNAROUND

For the CTAs that caught the run-up early, sugar's turnaround from seven-year lows around 10 cents per lb seen in August 2015 has been sweet.

Sol Waksman, president and founder of BarclayHedge Ltd, an Iowa-based firm that tracks CTA performances, said Martin's was the best performer of the 51 agricultural funds he tracked through the end of May.

Martin attributes that to exposure to sugar and coffee markets. The fund was up 17.5 percent in the first five months of 2016, according to its website.

By any measure, June saw a spectacular rally as cash continued to pile into the market. Turnover for the month hit 3.74 million lots, worth 190 million tonnes of sugar, the third highest, according to records going back almost four decades, as prices hit their highest in almost four years.

Much now depends on top grower Brazil, where the harvest runs through December.

Martin said he is watching the premium of nearby futures over prices further out, an indication of supply concern. The premium of the second-month March contract over the third-month May spiked to a near five-year high this week.

"You could still put another three or four cents on this," said Jobe Moss, a broker with MCM Inc in Lubbock, Texas, whose interest in sugar has been renewed amid this year's rally. "(But) I'm not going to chase the market up right now."

(Additional reporting by David Brough and Maiya Keidan in London; editing by Josephine Mason and Marguerita Choy)

## MORE FROM CNBC

by Taboola

- Cramer: Worst mistake ever made in a sell-off
- Cramer: When this group rallies, there's trouble coming
- Cramer Remix: Short sellers have woken up to their worst nightmare
- Gold is an 'extremely crowded trade' and is heading lower, trader says
- Gold pushes back towards 2 year high, silver crosses \$21/oz
- Cramer: This rally wasn't supposed to happen

## FROM THE WEB

Sponsored Links by Taboola



**Dress With Lace Top And Peek-A-Boo Back**  
\$24.99 - maurices.com



**How One Company Is Changing The Watch Industry**  
Bathwait Watches



**Yes, It Looks Like A Regular Van...But Just Wait 'Til You See The...**  
ViralNova.com

**Sponsored**

- Alternative Investment Funds
- High Yield Stocks
- Best Investment Plans
- Top 5 Stocks to Buy
- Fixed Return Investments
- Buy Stocks Online
- Index Fund Investing
- 10 Best Retirement Savings
- 10 Best Mutual Funds
- Best IRA Accounts of 2016

**SHOW COMMENTS**



## FROM THE WEB

Sponsored Links by Taboola



**Janise Peep Toe Bootie With Gore In Black**  
\$44 - maurices.com



**Write Emails Like a Pro With This New App**  
Grammarly



**Do You Binge-Watch Documentaries? You'll Love This Website**  
LA Times | Curioalty Stream



**We're Buying More of this "Downgraded" Stock**  
Molley Fool Canada

## MORE FROM CNBC

by Taboola

- Cramer: When this group rallies, there's trouble com...
- Cramer Remix: Short sellers have woken up to their ...
- Cramer: Worst mistake ever made in a sell-off
- Gold is an 'extremely crowded trade' and is heading...
- Gold pushes back towards 2 year high, silver crosse...
- Cramer: This rally wasn't supposed to happen
- Oil climbs as market seen in balance, but slow dema...
- Standard Life halts redemptions in UK property fund
- Foreign buyers flood US real estate, but buy cheap...
- Cramer Remix: Consumer staples are roaring, but it ...

## MOST POPULAR

- For older workers, getting a new job is like winning the lottery**
- Whoops! Local California government accidentally destroys scientific marvel**
- Clinton unveils debt-free education plan with nod to Sanders**
- House GOPers just previewed their next Clinton attack**
- Bond market is in an 'epic bubble of colossal proportions,' says Boockvar**

**Sponsored**

- 10 Best Mutual Funds
- High Yield Stocks
- Top 5 Stocks to Buy
- Buy Stocks Online
- Alternative Investment Funds

## NEWSLETTERS

- Make It
- Breaking News
- Morning Squawk
- Evening Brief

More Free Newsletters

Email (Required)

Get these newsletters delivered to your inbox, and more info about our products and service  
Privacy Policy