



7 September 2021

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## Weekly Market Overview

### Indicative ICE 11 Prices

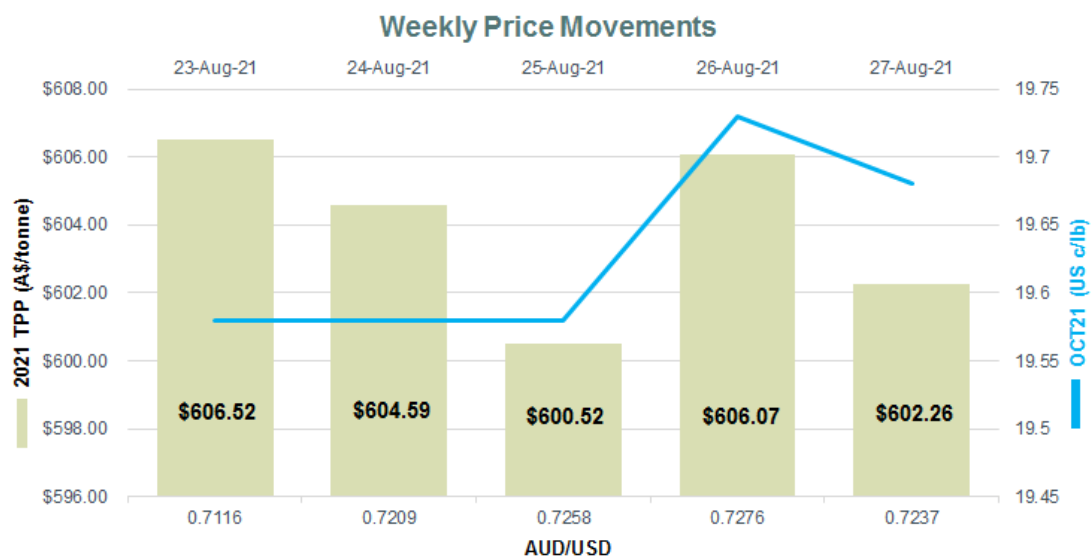
Season	AUD/MT*	Weekly Change
2021	585.06	-3.83%
2022	546.94	-0.66%
2023	470.24	+1.05%
2024	422.36	+2.25%

*\*These figures are indicative of available ICE 11 prices as at the week ending 6 September 2021 and reflect the weighted average AUD/mt price. The prices have been adjusted to include Over-the-Counter margin fees charged by banking institutions and so may differ from daily prices quoted by the ICE 11 Exchange and/or other Marketers of Growers' Economic Interest in Sugar. Values also do not account for any adjustments resulting from local Grower-Miller pricing arrangements.*

### Sugar

- ICE 11 raw sugar prices remained range-bound last week as we entered the October 2021 contract expiry month. The prompt Oct21 contract reached a weekly high of 20.30 USc/lb and low of 19.55 USc/lb, solidifying its short-term range of 19.30-20.30 USc/lb.

- Weak demand for prompt physical sugar appeared to limit the upside potential of the Oct21 contract, with high freight costs also contributing to traders struggling to find importers for raw sugar in the short term. This is evidenced by the Oct21/Mar22 spread (see our Jargon Buster), which fell as low as -0.79pts last week.
  - A possible second La Nina weather pattern in as many years is likely to result in another poor Centre South Brazil crop for the 2022 Season and is boosting the back end of the sugar board, keeping 2022 and 2023-Season prices elevated.
  - Also on the weather front, category 4 Hurricane Ida has devastated the US State of Louisiana, causing market concern for crop damage and supply disruptions. However, reports now suggest the hurricane did not do much damage to cane areas.
  - The Commitment of Traders (CoT) report dated 31 August revealed speculators had slightly reduced their position by 12,000 lots week on week. The specs have maintained a stable position for over a month and now hold a 239,000-lot net position.
  - Ethanol parity is calculated to be approximately 18.48 USc/lb equivalent, well below the spot ICE 11 raw sugar price.
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## Currency

- The Australian Dollar traded higher in a slow, grinding fashion last week, rising from a low on Monday of 72.85 US cents up to a high on Friday of 74.78 US cents.
- The highlight of the week for foreign exchange markets came in the form of US non-farm payrolls which rose by only 235,000 jobs in the month of August, well under expectations of 733,000. This suggests the COVID-19 Delta variant has had an impact on the United States, as overall payrolls are now down 5.3 million on pre-pandemic levels.
- The OPEC+ group met last Wednesday to agree on continuing their plan of gradually increasing oil production over the course of the next year to unwind the reductions invoked at the height of the pandemic. Oil prices fell slightly on the news but closed the day relatively unchanged and bounced higher the following day.

## Jargon Buster

### What is Oct21/ Mar22 Spread?

The spread between two ICE 11 futures contracts is the difference between the two contracts' spot prices. Spreads tend to vary as demand for and availability of sugar changes at different points of the year due to reasons such as differing global harvest seasons. The current Oct21/Mar22 spread is:

$$19.62 \text{ USc/lb (Oct21)} - 20.32 \text{ USc/lb (Mar22)} = -0.70 \text{ points}$$

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