



6 October 2021

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Weekly Market Overview

Indicative ICE 11 Prices

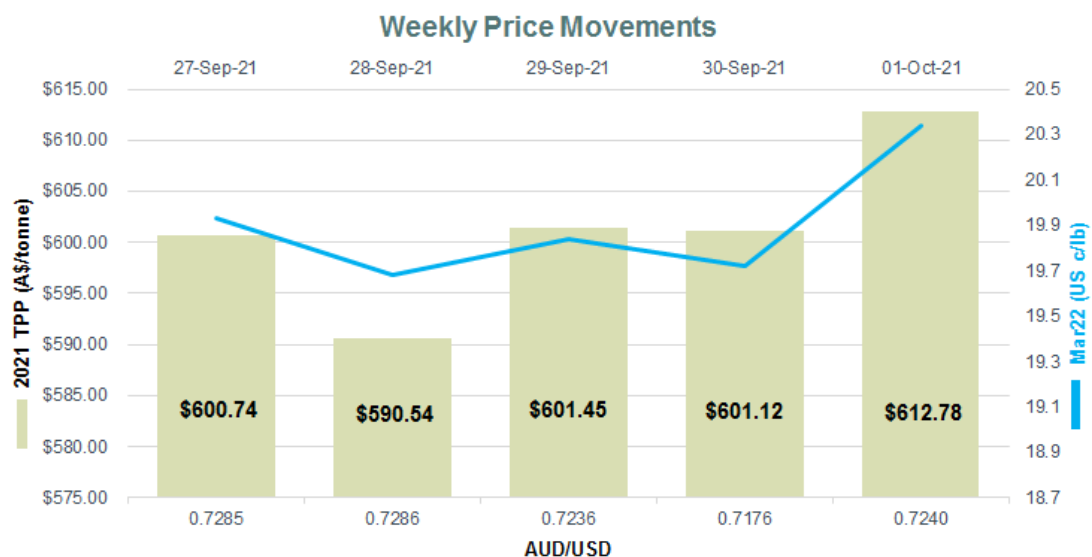
Season	AUD/MT*	Weekly Change
2021	604.24	+0.58%
2022	553.06	+0.61%
2023	484.07	+0.74%
2024	454.08	+2.20%

**These figures are indicative of available ICE 11 prices as at the week ending 4 October 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

- As expected, it was a volatile expiry week for the October 2021 ICE 11 contract, which printed a final settlement price of 19.83 USc/lb. The March 2021 contract chopped around in the range between its low of 19.45 USc/lb last Tuesday and its high of 20.38 USc/lb on the Thursday before closing last week at 20.06 USc/lb.
- A relatively small 225,600 tonnes of sugar was delivered to the tape of the Oct21 expiry (See our Jargon Buster). The western hemisphere deliverers included mostly Centre South Brazil sugar and some small parcels of Mexico and Guatemala, with the Louis Dreyfus Company being the sole receiver of the sugar. The low white sugar premium and high freight rates are likely to have hit import demand at expiry.

- The Brazilian Sugarcane Industry Association (UNICA) released its first half of September harvest report early in the week, reporting 2.548 million tonnes of sugar and 38.380 million tonnes of cane for the fortnight. These figures were on the lower side of expectations as the crop enters its final weeks of harvesting, and were down 20% and 14% respectively on the same fortnight in the previous season. Interestingly, the sugar/ethanol mix has fallen from 46.43% sugar in August to 44.94% in September, which could indicate some Brazilian mills are switching over to ethanol for what is left of the cane crop.
- In India, the Indian Sugar Millers Association stated that they believe consumption is rising towards 27 million tonnes and that exports are likely to be closer to 6 million tonnes compared to 7 million last year. October 25th is the slightly later than usual expected start date for the harvest and exports of raw sugar not expected to start before December.
- The latest Commitment of Traders report shows speculators held a fairly constant position for the week. A 207,000-lot net long position was recorded as of 28 September, up only 3000 lots week on week.



Currency

- The Australian Dollar (AUD) came under heavy pressure last week as a bearish macro theme dominated financial markets. The AUD traded from a high on Tuesday of 72.94

US cents, down to its low of 71.70 US cents on Thursday, closing the week at 72.81 US cents.

- Fears of overinflation and rising interest rates in the United States elevated following the hawkish comments by the US Federal Reserve in the previous week. The concerns were aggravated by sharp rises in Brent crude oil prices, which traded above \$US80 a barrel for the first time in almost three years.
- A shutdown of the US Government was averted after a short-term spending bill was passed by Congress to fund the government through to 3 December. The issue of the debt ceiling remains unresolved, with a breach set for approximately 18 October if a change is not implemented. Whilst an actual default is highly unlikely, volatility in the market will likely increase.
- Unsurprisingly, the Chinese Evergrande Group defaulted on another of its bond coupon payments last week. Investors have now priced in an almost certain default of the real estate giant.

Jargon Buster

Delivering to the Tape

Delivering to the tape refers to those sellers who opt to deliver physical sugar against an open sold futures position rather than closing out the position with a known buyer prior to that ICE 11 contract's expiry. Sellers have to make sugar available at the port they have nominated for up to 10 weeks, while buyers have this time to nominate a vessel for loading. The 'tape' is a slang term for ticker tape which illustrates traded markets.

QSL is Australia's largest and most experienced raw sugar marketer

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