

QSL MARKET UPDATE



16 November 2021

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Weekly Market Overview

Indicative ICE 11 Prices

Season	AUD/MT*	Weekly Change
2021	598.96	+1.16%
2022	567.37	+1.32%
2023	493.49	+0.74%
2024	463.65	+0.27%

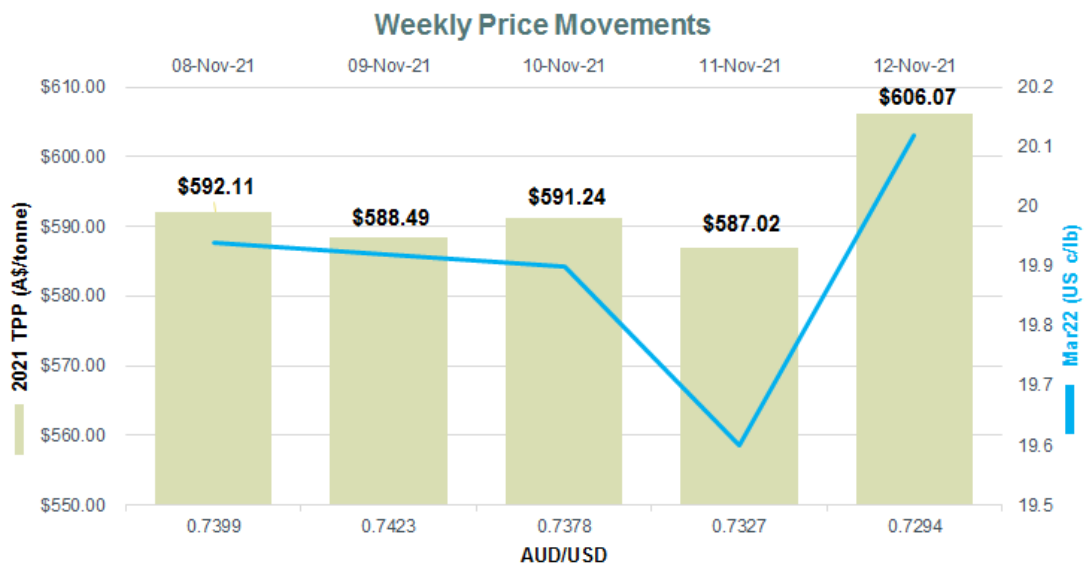
**These figures are indicative of available ICE 11 prices as at the week ending 15 November 2021 and reflect the weighted average AUD/mt price. The prices have been adjusted to include Over-the-Counter margin fees charged by banking institutions and so may differ from daily prices quoted by the ICE 11 Exchange and/or other Marketeters of Growers' Economic Interest in Sugar. Values also do not account for any adjustments resulting from local Grower-Miller pricing arrangements.*

Sugar

- Raw sugar prices gained enough momentum last week to penetrate the 20 USc/lb level for the first time in over a month, supported by a lower sugar mix in the final stages of the Brazil harvest as ethanol provides a higher return of 20.39 USc/lb equivalent. The March 2022 ICE 11 contract traded to a weekly low on Wednesday of 19.52 USc/lb and a high on Friday of 20.17 USc/lb before closing the week up 0.4% at 20.01 USc/lb.
- The second half of October UNICA (Brazilian Sugarcane Industry Association) report was released mid-week, revealing 128 Brazilian

mills had closed by 31 October with another 87 expected to shut down by mid-November, leaving only 47 operational beyond then. During the 2-week reporting period, 17 million tonnes of cane and 858,000 tonnes of sugar were harvested and milled, while the sugar mix fell even lower to 37.04%. Total accumulated cane harvested and sugar produced for the season now stands at 504.4 million tonnes and 31.2 million tonnes respectively, which indicates the final crop figure is likely to be approximately 31.8 million tonnes of sugar at the end of the season.

- The Indian government is reported to have raised the price of ethanol paid to mills to ensure that a sufficient amount of cane is diverted away from sugar production. This decision is likely to be a reaction to sustained high ICE 11 prices as well as longer-term commitment from the Indian Government to increase the supply of ethanol given its target of 20% ethanol blending in petrol (also known as E20) by 2025.
 - The latest Commitment of Traders report, dated 9 November, disclosed a 174,000 lot net-long position held by speculators. This was an increase of over 11,000 lots and a new monthly high level which could be viewed as positive sentiment towards the ICE 11 market by speculators.
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Currency

- The Australian Dollar (AUD) softened last week, led by poor local labour force data as well as further risk-off sentiment from US inflation concerns. The AUD traded from highs on the Tuesday of 74.31 US cents down to a low of 72.78 US cents on the Friday.
- The October Australian labour force survey surprised markets by reporting unemployment falling by 46,000 jobs against an expected increase, as well as unemployment rising from 4.6% to 5.2%. To note, the majority of the decline in employment was a result of stay-at-home orders in Victoria and is likely to bounce back substantially in the next monthly report, given the easing of restrictions around Australia.
- In the United States, the October Consumer Price Index (*see our Jargon Buster*) accelerated faster than market expectations by printing a 0.9% change against forecast 0.6%. On a year-on-year basis, CPI is now at levels not seen since December 1990 at 6.2%. These rapid increases in inflation challenge the Fed's belief that it is transitory in nature only and could escalate the pressure to raise interest rates sooner rather than later. Commentary on this data from the Fed will be closely monitored by the market.

- Market sentiment received a slight boost on news that Chinese property developer Evergrande made coupon payments worth \$148.1 million on 2 USD bondholders just before the 30-day grace period.

Jargon Buster

Consumer Price Index (CPI)

The Consumer Price Index is a statistical measure of the change in price over time of a fixed basket of goods and services. The CPI is generally measured month to month or year to year and is used by economists, governments and central banks to monitor inflation in the economy.

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