

QSL MARKET UPDATE



18 January 2022

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Weekly Market Overview

Indicative ICE 11 Prices

Season	AUD/MT*	Weekly Change
2021	558.86	+2.37%
2022	542.01	+1.12%
2023	501.97	+0.63%
2024	479.04	-1.05%

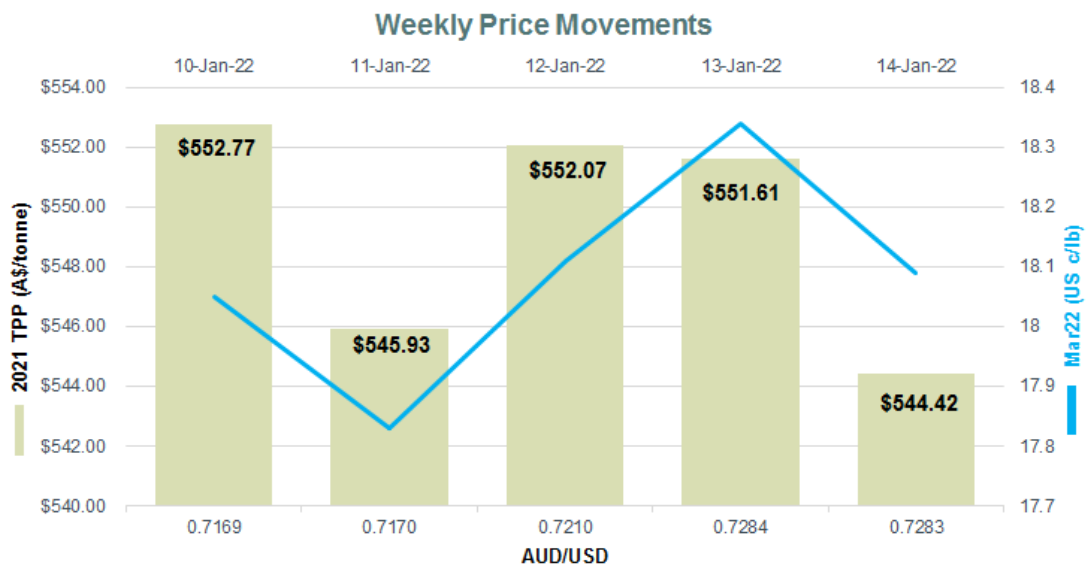
**These figures are indicative of available ICE 11 prices as at the week ending 14 January 2022 and reflect the weighted average AUD/mt price. The prices have been adjusted to include Over-the-Counter margin fees charged by banking institutions and so may differ from daily prices quoted by the ICE 11 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

- **Overview:** The prompt March 2022 ICE 11 contract has recovered slightly after its major sell-off over the Christmas break. The contract traded to a high of 18.47 USc/lb on Wednesday, down to a low of 17.94 USc/lb on Thursday, before closing the week at 18.31 USc/lb.
- **Brazil:** Petrobras (Brazilian multinational corporation in the petroleum industry) has raised the price of gasoline in Brazil from 3.09 to 3.24 BRL/L (Brazilian real per litre), which could potentially drag ethanol prices higher. Most reports are indicating good rain in many parts of CS Brazil (Centre South Brazil), however uncertainty still remains in

the south of CS where rain has been inconsistent and the quality of the crop may vary due to last year's drought, frosts and fires in the region.

- **White premium** (*see our Jargon Buster*): Refining premiums have strengthened over the past couple of months reaching \$US98 per tonne last week. The margin has been increasing since October 2021, when the price was around \$US53 per tonne. This increase is likely to be an adjustment in the price to cover refiners' costs in a period where freight costs have increased exponentially.
 - **Oil:** Energy markets remain on an upward trajectory, with Brent Crude (Brent Crude originates from the oil fields in the North Sea) currently at around \$US86 a barrel. Concerns regarding the impacts of the Omicron virus to the global economy seem to be easing and forecasts are suggesting that the upward trend may continue as demand should be much higher than stocks currently available.
 - **Commitment of Traders (speculator activity):** The latest Commitment of Traders report on 11 January 2022 revealed speculators were down to just 51,000 lots net long, liquidating a massive 59,000 lots in the process. The sell-off was primarily driven by a major technical break lower, however on the positive side the market only moved by 115 points as commercials stepped in to mop up what they deemed to be cheap sugar. This may indicate that we are currently sitting on the bottom of a range. For the prompt March 2022 ICE 11 contract, 18.50 USc/lb is the first hurdle that it will encounter on the way up.
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Currency

- Overview:** The Aussie dollar started the week as low as 71.49 US cents before strengthening to 73.14 US cents on Thursday and closing the week back at the 72 US cents anchor. Sentiment is mixed with overall equities underperformed while the energy sector outperformed.
- United States:** Concerns over inflation and rising interest rates are still impacting general sentiment. The consensus now is that the first rate hike will take place in March, currently 90% priced in. There is some recent speculation that rates may hike by 50 basis points for the first time since March 2000. US December Retail Sales fell by 1.9% suggesting that the new Omicron wave took a big toll over the holiday period. US December Industrial Production fell by 0.1% with manufacturing output down by 0.3%.
- China:** It seems China's zero-COVID policy is clearly dragging on the economy. Beijing reported its first Omicron case on Saturday just three weeks before the Winter Olympics. On the data front, Chinese GDP surprised with quarterly growth of 1.6%. (8.1% growth for 2021).

Retail sales for December were below expectations, growing just 1.7% year-on-year (was 8% pre-COVID-19).

Jargon Buster

What is the white premium?

The white sugar premium is the reference price for sugar refineries, therefore whenever it moves up, the appetite to buy raw sugar may increase.

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

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