QSL MARKET UPDATE

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1 February 2022

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Weekly Market Overview

Indicative ICE 11 Prices

Season	AUD/MT*	Weekly Change
2021	572.17	-0.96%
2022	562.09	+0.67%
2023	518.68	+1.37%
2024	487.73	+0.65%

**These figures are indicative of available ICE 11 prices as at the week ending 31 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 ICE 11 raw sugar market came under heavy macroeconomic pressure from a rising US Dollar, erasing almost all of the previous week's gains. The prompt March 2022 ICE 11 contract made its high on Monday of 18.98 USc/lb before falling to a low on Friday of 18.09 US c/lb, and closing the week down 3.7% at 18.20 USc/lb.

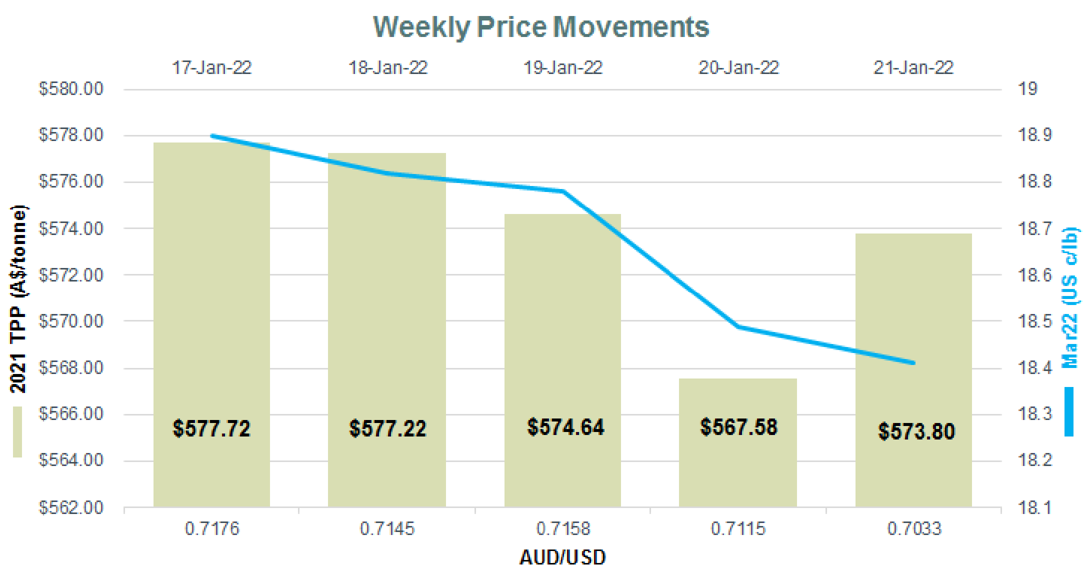
- **Brazil:**
    - Brazilian president Jair Bolsonaro has back-flipped on his proposal to abolish fuel taxes (which may have resulted in a severe negative impact on ethanol prices), and is now reported

to only be dropping the tax on diesel and cooking gas.

  - There have been reports of good rain in the Sao Paulo region in late January with the city of Piracicaba recording 160mm, however accumulated rainfall is still well below average.

- **Thailand:** Light showers fell across the cane regions of Thailand last week, with fine weather forecast for this week allowing for uninterrupted (mostly) harvesting conditions.

- **Commitment of Traders (speculator activity):** Speculators added a further 21,000 lots to the their net long position as of 25 January holding 83,000 lots net long. Macroeconomic influences have since caused the market to fall approximately 60 points, suggesting specs have likely withdrawn their investments from the ICE 11 market and reduced this position back to an estimated 50-60,000 lots net long on a live basis.



Currency

- **Overview**: The Australian dollar sustained heavy losses last week as markets braced for interest rate hikes from the Fed (US Federal

Reserve System), causing the US Dollar to post strong gains. The AUD traded from a high of 71.88 US cents on Monday down to a low of 69.68 US cents on Friday.

- **United States:** The Federal Open Market Committee (FOMC) meeting on Thursday delivered, as expected, more hawkish news with Chairman Jerome Powell stating he believes "there's quite a bit of room to raise interest rates without threatening the labour market". March is expected to bring an end to the US quantitative easing program as well as the first rate hike, which could be as high as 50 basis points. A poll on Bloomberg now predicts five interest rate hikes in 2022 totalling 125 basis points.

- **Russia/Ukraine:** Geopolitical risk aversion has caused headwinds for the Australian dollar as Russia appears set to invade Ukraine by stationing 120,000 troops on the border, and despite President Putin denying any intentions of an attack. Global markets are watching the situation closely as any signs of tensions boiling over is likely to sour risk sentiment.

- **Oil**: The oil price continues its strong run with Brent crude oil trading over $US90 per barrel for the first time in eight years, closing the week up 2.5%.

Jargon Buster

What is the FOMC?

The Federal Open Market Committee (FOMC) is a section of the Federal Reserve who meet to analyse the position of the United States economy and orchestrate monetary policy (i.e. setting interest rates). The committee is made up of 12 members and has 8 scheduled meetings per year.

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

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