



QSL MARKET UPDATE



3 May 2022

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Weekly Market Overview

Indicative ICE 11 Prices

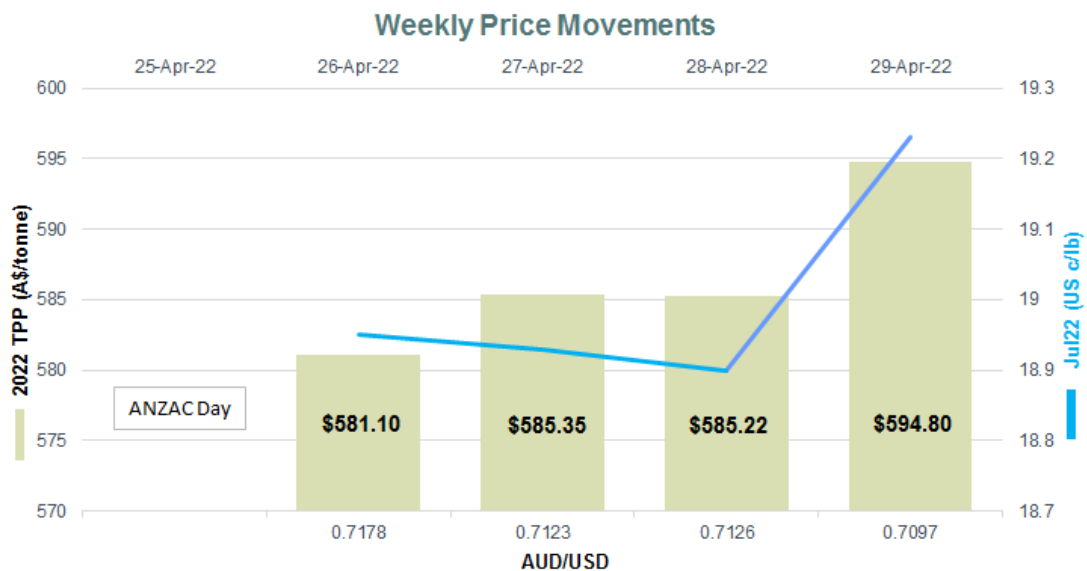
Season	AUD/MT*	Weekly Change
2022	589.92	+1.52%
2023	559.13	+2.89%
2024	532.65	+3.98%
2025	507.88	+4.44%

* These figures are indicative of available ICE 11 prices as at the week ending 3 May 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 Marketeters 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 appeared to find a short-term floor after bouncing off the 18.80 USc/lb level (basis July 2022 contract) for the first four days of last week as the market battled between waiting for fresh fundamental news out of Centre South (CS) Brazil and the increasingly negative macroeconomic picture. The now prompt July 2022 contract traded from a low of 18.32 USc/lb on Tuesday to a high of 19.40 USc/lb on the Friday, closing the week at 19.15 USc/lb – virtually unchanged week on week.

- **May22 Expiry:** The May 2022 ICE 11 contract expired on Friday at 19.35 USc/lb, with a relatively small 181.5k tonnes of sugar delivered (unofficially). It is predicted the delivery is made up of old season CS Brazil, NNE Brazil and small parcels of Central American sugar, and will be delivered to one trader, Louis Dreyfus Company (LDC).
 - **Brazil:** The first UNICA (*see our jargon buster*) report for the 2022 Brazilian harvest revealed a very slow start to the new crop year and an extremely low sugar/ethanol mix of only 25.95% for the first fortnight of April. Only 5.2 million tonnes of cane was harvested and 0.127million tonnes of sugar produced in the two-week period, down 67% and 80% respectively on the same period last year. Ethanol parity has fallen to approximately 21.00 USc/lb equivalent. However, it is still paying a premium above spot ICE 11 sugar prices, indicating mills may continue to produce a low sugar mix over the coming weeks.
 - **India:** The Maharashtra state government has announced they are offering a subsidy to the value of INR 5/tonne/km (USD 0.07/tonne/km) on unharvested cane which has to be transported more than 50km to a mill from 1 May. This announcement has prompted some to revise their sugar production figures for India up from 35.5 million tonnes to 36 million tonnes.
 - **Commitment of Traders (speculator activity):** Speculators reduced their net long position by 36,000 lots last week, which is unsurprising given the 75-point fall in the spot ICE 11 price in the same timeframe. According to the Commitment of Traders report dated 26 April, a 139,000-lot net long position is now held by the specs.
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Currency

- Overview:** The Australian Dollar (AUD) continued to trend lower in a volatile fashion across last week, as the US Dollar strengthened on predictions of multiple interest rate hikes. The AUD traded from a high of 72.61 US cents on the Monday, down to a low of 70.55 US cents on Friday.
- AUS CPI:** The Q1 Consumer Price Index (CPI) shocked markets last week when the headline figure printed at 5.1% year on year against expectations of only 4.6%. Food prices, auto fuels and construction were reportedly the main drivers which have led to the highest print of inflation since the mid-1990s (excluding the 2001 GST increase). Inflation levels are now well above the RBA's target 2-3% range.
- RBA:** The Reserve Bank of Australia today surprised markets by announcing a 0.25 basis interest rate hike, taking the Australian cash rate from 0.1% to 0.35%. This is the first tightening of RBA policy since 2010 and is likely in response to the strong Q1 inflation figure of 5.1% announced last week. The Australian Dollar has strengthened on the news.

- **USA:** Q1 Gross Domestic Profit (GDP) for the United States surprised the market to the downside by printing at -1.4% annualised, against an expected +1.0%. The contraction can mainly be attributed to domestic demand driving imports higher by 17% and exports lower by 5.9%. Despite the large fall in GDP, markets appeared unaffected and the US Dollar strength continued as markets remain focused on inflation and the upcoming Fed decision on interest rates.

Jargon Buster

What is UNICA?

UNICA is the Brazilian Sugarcane Industry Association. They regularly report on Brazilian sugar cane production and are considered a key information source by market analysts.

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

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