



QSL MARKET UPDATE



10 May 2022

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Weekly Market Overview

Indicative ICE 11 Prices

Season	AUD/MT*	Weekly Change
2022	596.35	+1.09%
2023	562.25	+0.56%
2024	537.48	+0.91%
2025	515.37	+1.47%

** These figures are indicative of available ICE 11 prices as at the week ending 9 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 softened for the majority of the week before breaking free of its downtrend on Friday when the July 2022 contract bounced off a low of 18.57 USc/lb. Speculators

found some bullish momentum and pushed the prompt contract to a weekly high of 19.21 USc/lb before closing the week at 19.16 USc/lb.

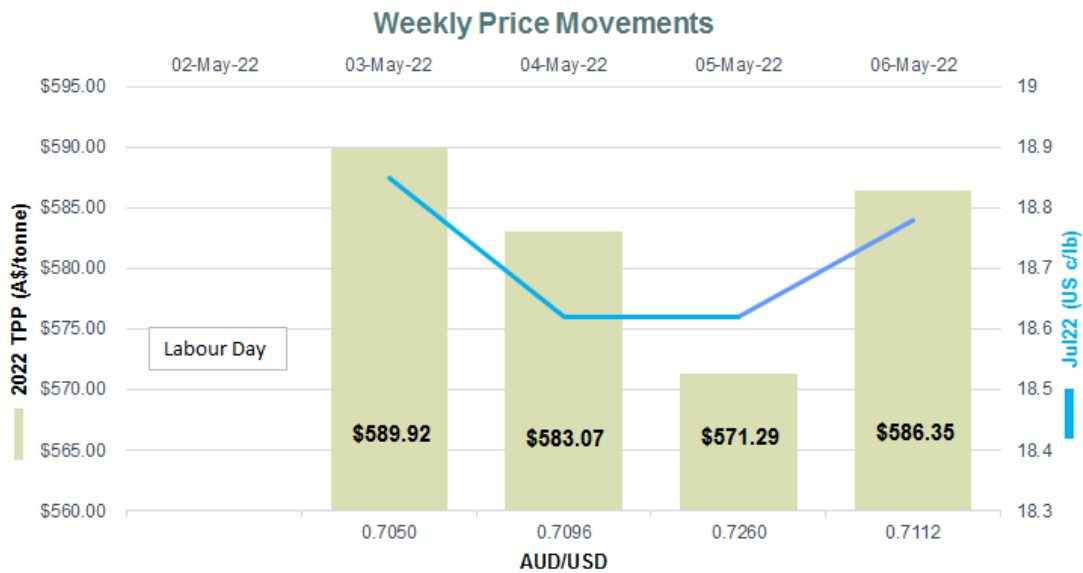
- **Brazil:**

- **Ethanol:** Ethanol parity took a major hit last week and is down 1.14 USc/lb week on week to 19.68 USc/lb, trading at just a 0.52 USc/lb premium to the Jul22 futures.
- **Petrobras:** The partially government-owned gasoline giant recorded an impressive US\$8.9 billion net income for Q1 2022 to the dismay of Brazilian President Bolsonaro. The President publicly announced he believes it is a "crime" that the company is achieving such large profits while the citizens of Brazil struggle with the unaffordability of fuel prices.
- **Interest Rates:** The Brazilian central bank raised interest rates for the tenth consecutive month to its highest level in years in an attempt to control the runaway inflation. The cash rate was raised by 1% to 12.75%.

- **India:** As has been said before, the Indian harvest has been charging ahead strongly as area under cane and cane production reach the highest levels on record. By the end of April, 518 mills had produced 34.2 million tonnes of sugar, up 14% at the same point last year. Forecasts for final production numbers have been revised slightly upwards to 35.6 million tonnes, which is likely to occur in early June before the monsoon arrives.

- **Commitment of Traders (speculator activity):** The Commitment of Traders report dated 2 May recorded a reduction of 28,000 lots to 111,000 lots net long held by speculators. This movement is in line with the 31-point decrease in the Jul22 futures contract over the same

timeframe, reinforcing the theory that speculators are moving the sugar market around in the firm 18.50-21 US cent range.



Currency

- **Overview:** The Australian Dollar (AUD) started last week close to its low of 72.66 US cents before spiking to a high of 72.66 US cents on Thursday morning after a USD sell off on the news of only a 50-basis-point rate hike by the Federal Open Market Committee (FOMC). The Aussie Dollar strength was short lived as the AUD retreated for the rest of the week, closing at 70.61 US cents.
- **United States**
 - **Interest Rates:** The FOMC raised interest rates in the US by 50 basis points (bps) at their May meeting last week, taking the cash rate (see our *Jargon Buster*) from 0.5% to 1.0%. Markets

appeared relieved to hear Chairman Powell's post-meeting comments, when he stated that 75bps isn't necessary and only 50bps is being considered for the next couple of meetings.

- **Employment:** Friday's payroll data revealed the unemployment rate in the US held steady at 3.6%, while non-farm payrolls rose by 428,000 jobs against expectations of 380,000.
- **RBA:** The Reserve Bank of Australia (RBA) released its statement on monetary policy at the end of the last week after they surprised markets with a 25-basis-point rate hike (most were expecting either 0.00 or +0.15), taking the cash rate in Australia to 0.35%. RBA Governor Lowe stated, "further increases in interest rates will be necessary over the months ahead", leading markets to price in a 2.5% cash rate by the end of 2022.
- **Oil:** The OPEC+ group has agreed to increase its production by 423,000 barrels per day for the month of June as the world faces disruptions to the oil supply chain from the ongoing Russia/Ukraine conflict. Brent crude oil is now trading at \$US105.2/barrel and WTI at \$US102.74/barrel

Jargon Buster

What is the Cash Rate?

The cash rate is the interest rate that commercial banks (e.g. CBA, NAB or ANZ) can borrow funds from their country's central bank (e.g. the Reserve Bank of Australia). The rate is set by the central bank members and will change depending on the future outlook of the economy. The cash rate is also known as the bank rate or the base interest rate.

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