



14 June 2022

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## Weekly Market Overview

### Indicative ICE 11 Prices

Season	AUD/MT*	Weekly Change
2022	596.47	-0.02%
2023	576.42	+0.70%
2024	552.26	+1.48%
2025	534.61	+3.16%

\* These figures are indicative of available ICE 11 prices as at the week ending 13 June 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.

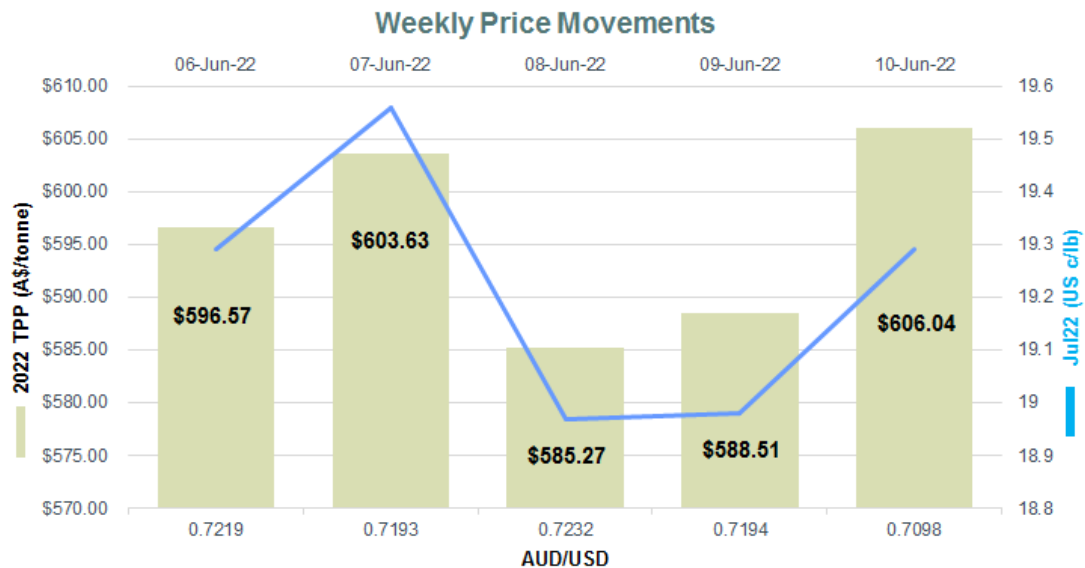
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### Sugar

- **Overview:** Pessimistic views on the proposal to reduce the ICMS tax on fuel in Brazil as well as raging inflation in the US heavily weighed on the ICE 11 raw sugar market last week. The July 2022 contract traded from a high on Monday of 19.75 USc/lb, down to a low on Thursday of 18.82 USc/lb before closing the week down 42 points at 18.87 USc/lb as the prompt contract moves into its expiry month.
  - **Brazilian harvest:** The latest UNICA report revealed the 2022/23 Season harvest is well underway in Centre South Brazil, with 43.7 million tonnes of cane harvested and 2.3 million tonnes of sugar produced in the second fortnight of May. The slightly stronger-than-expected figures bring the accumulated season-to-date total to 107.1 million tonnes of
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cane and just over 5 million tonnes of sugar, at a sugar mix of 40.52%. However, the Total Recoverable Sugar/ton of sugarcane (ATR) was significantly lower than last season at 128.64 for the fortnight, indicating the cane is potentially underdeveloped due to the consequences of last year's droughts, frosts and fires.

- **ICMS Tax:** The Brazilian Senate are expected to vote on the Bill to reduce the ICMS tax on fuel from 25% to 17.5% at some point this week, which could see ethanol parity reduced to as low as 16.50 USc/lb equivalent. That being said, consensus appears to be expecting some form of compromise "in-between" result, as well as a reduction in the ICMS tax on ethanol to follow shortly after to mitigate the effects and protect the cane industry.
  - **India:** The monsoon is moving fractionally slower than expected across India and has advanced into the western areas of the Maharashtra region. Further rainfall is expected in the main sugarcane areas of Karnataka and Uttar Pradesh later this week.
  - **Commitment of Traders (speculator activity):** Speculators reduced their net long position by 9,000 lots to 113,000 lots net long as of the 7 June Commitment of Traders Report. The position held is approaching the bottom end of the range from the last couple of months, indicating we could be approaching the bottom of sugar market range as well.
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## Currency

- Overview:** Last week the Australian Dollar (AUD) gave back most of its gains from the previous fortnight after US inflation figures revealed the US economy is showing no signs of slowing down. The AUD traded from a high last Monday of 72.46 US cents, down to a low of 70.38 US cents on Friday.
- RBA:** The Reserve Bank of Australia (RBA) surprised markets by raising the official cash rate by 50 basis points (bps) to 0.85% at the June meeting last Tuesday, rather than the 25-40 bps hike expected. The RBA stated they believe the inflationary pressures in the economy are still too hot and given the already extremely low interest rate, a 50bps hike was acceptable. Markets were quick to revise their expectations for further rate rises with another 50bp rise in July and August now pencilled in and the terminal cash rate revised up slightly to 3.75%.
- US Inflation:** The United States Consumer Price Index (CPI) data release shocked markets on Friday night when year-on-year inflation increased to 8.6% from 8.3% in the month of May, compared to expectations of holding steady at 8.3%. The jump in inflation, largely attributed to rising fuel and food costs, proves the economy in the US is still running red hot and the two previous rate hikes by the FOMC have

done little to put the brakes on so far. The Fed is set to meet on Wednesday this week where it is expected to announce yet another 50bp hike and bring the US cash rate target to 1.5%.

- **China:** Global markets came under heavy pressure when news of renewed lockdowns across parts of Shanghai surfaced. Tens of millions of residents went back into lockdown over the weekend only 10 days after the previous lockdown order was lifted after another outbreak of community cases. Recovery of the Chinese economy, which has boosted sentiments across markets recently, has once again come into question.
- **Oil:** Oil prices surged higher again last week after the United Arab Emirates (UAE) Energy Minister made comments suggesting that prices are still far from peaking due to Chinese demand not returning back to pre-pandemic levels. Brent crude oil is currently trading at \$US119.90/barrel and West Texas Intermediate at \$US118.49/barrel.

## Jargon Buster

### Basis Points (BPS)

Basis Points are the standard measure for interest rates and other percentages in finance. One basis point is equivalent to 1/100th of a percent, or 0.01%. For example, 50 basis points is equivalent to 0.50%.

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