



12 July 2022

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## Weekly Market Overview

### Indicative ICE 11 Prices

Season	AUD/MT*	Weekly Change
2022	608.95	+4.17%
2023	573.00	+1.08%
2024	547.66	-0.15%
2025	533.71	-0.57%

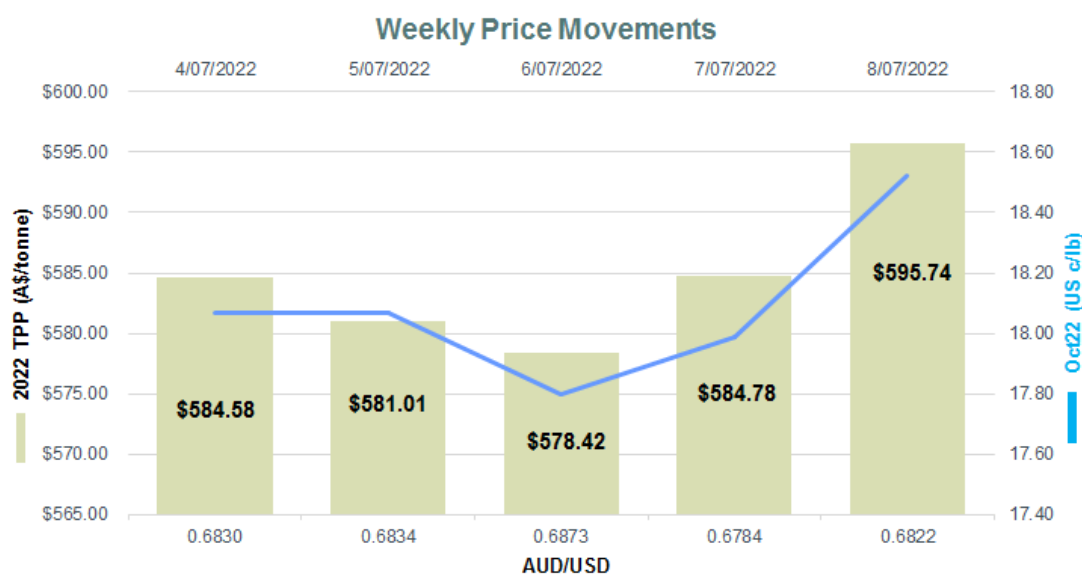
\* These figures are indicative of available ICE 11 prices as at the week ending 8 July 2022 and reflect the weighted average AUD/mt price. The prices have been adjusted to include Over-the-Counter margin fees charged by banking institutions and so may differ from daily prices quoted by the ICE 11 Exchange 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:** After the 4th of July long weekend in the US, the ICE 11 raw sugar market traded sharply lower last Tuesday off the back of weak risk sentiment for commodities across the board, led by Brent crude oil losing 9.3% in a single day. The ICE 11 market subsequently bounced back strongly in the latter half of the week as general market sentiment backflipped to a positive view. The prompt October 2022 contract traded last week from a low of 17.71 USc/lb on the Tuesday up to a high of 19.15 USc/lb on Friday.
- **India weather:** The 2022 monsoon now covers the entirety of India to mixed degrees. The Madhya Maharashtra and north Karnataka regions are experiencing disappointing rainfall while the Marathwada region of

Mahashtra now has above-average rains. On average, this monsoon is significantly slower to start.

- **India news:** The largest sugar conglomerate in India, Bajaj Hindusthan Sugar, has declared bankruptcy after it failed to meet its debt payments. The large sugar producer, which operates 14 mills in Uttar Pradesh, was declared a non-performing asset (NPA) by Indian lending banks and is required to produce a restructuring plan for the business. Given the scale and importance of the business in the Indian sugar industry, some believe the government will have to step in to bail out the company.
- **Brazilian weather:** Mostly hot and dry weather is expected this week across Brazil before plunging lower into potential frost territory on Sunday morning in some southern regions.
- **Commitment of Traders (speculator activity):** For the first time since May 2020, speculators are holding a net short position in the ICE 11 market, with recession fears driving specs out of this commodity asset class. The speculators reduced their position by 50,000 lots to 37,000 lots net short as of Tuesday 12 July.



**Currency**

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- **Overview:** The Australian Dollar (AUD) traded below 68 US cents to a 2-year low last week after recession fears hit global markets and commodity prices crumbled. The AUD traded from a high of 68.95 USc on Tuesday to a low of 67.62 USc on Wednesday before recovering slightly through to the end of the week.
- **US Data:** The unemployment rate in the US remained steady at 3.6% for the fourth consecutive month as expected, while non-farm payrolls surprisingly increased by 372k jobs against the 265k expected.
- **US Fed:** Fed Governor Waller was overwhelmingly hawkish (*see our Jargon Buster*) in his latest speech where he stated the Fed "need to move to a much more restrictive setting ... as quickly as possible" and that he is "definitely in support of doing another 75 basis point hike in July". Markets have now 95% priced in the probability the Fed will raise the cash rate by 75 basis points at their July meeting in two weeks. Despite the rapid interest-rate tightening program, the Fed remain confident that they can reach a 'soft landing' without sending the economy into a recession.
- **China:** The Covid situation in China appears to have deteriorated as more than 2,300 locally transmitted cases have emerged across the country. Approximately 30 million citizens across six cities have been exposed to upgraded restrictions after reports new Covid sub-variants could threaten China's zero-tolerance stance.
- **Coming Up:** US June inflation will be reported on Wednesday and Australian labour force data will be released on Thursday.

**Jargon Buster**

**Hawkish**

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Hawkish is a term used to describe the attitude of policy makers (i.e. central banks such as the RBA or the US Federal Open Market Committee) towards inflation and interest rates. If a central bank uses hawkish language, it is said they believe interest rates should be raised to combat rising inflation.

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QSL is Australia's largest and most experienced  
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