



2 August 2022

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Weekly Market Overview

Indicative ICE 11 Prices

Season	AUD/MT*	Weekly Change
2022	551.63	-2.44%
2023	526.60	-2.40%
2024	516.95	-0.77%
2025	508.44	0.17%

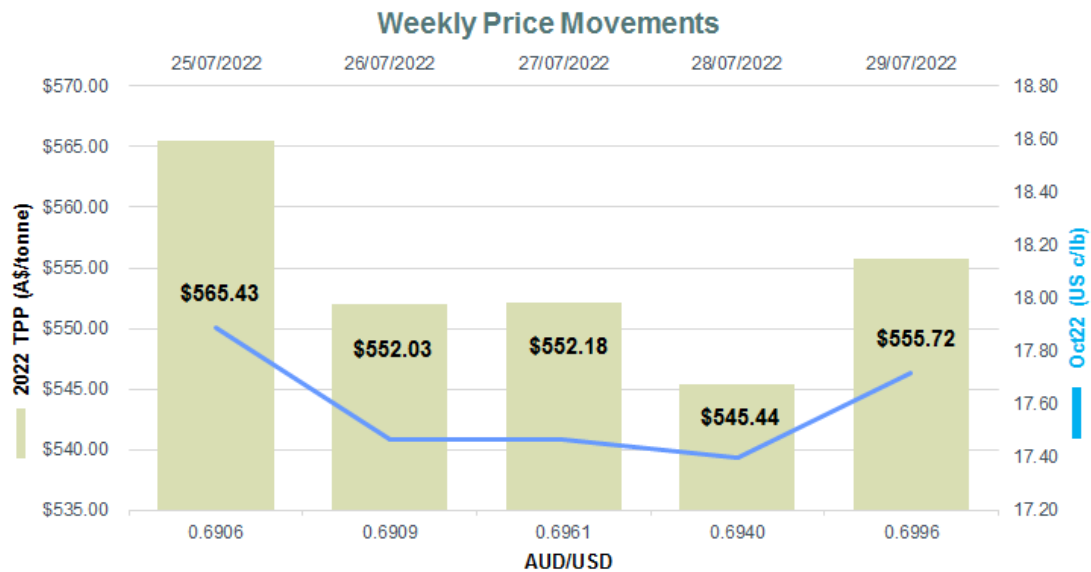
* These figures are indicative of available ICE 11 prices as at the week ending 29 July 2022 and reflect the weighted average AUD/mt price. The prices have been adjusted to include Over-the-Counter margin fees charged by banking institutions and so may differ from daily prices quoted by the ICE 11 Exchange 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:** The ICE 11 raw sugar market was muted over the past week. The Oct22 contract traded to its weekly low of 17.32 USc/lb on Wednesday, before climbing marginally on Thursday to a weekly high of 17.97 USc/lb and closing the week at 17.54 USc/lb on Friday.
- **Brazil harvest:** The latest UNICA (Brazilian Sugarcane Industry Association) report for the first half of July revealed the harvest is going better than expected. Mills crushed 46.3 million tonnes of cane during

the period, an increase of 0.5% compared to the same time last year. However, total cane crushed was still 9.5% lower on an accumulated basis than in 21-22 Season. The sugar mix was in line with expectations, with 47.1% of the harvested cane used for sugar production rather than ethanol. As a result of changes in fuel policy and CBIO carbon credit targets that have negatively impacted ethanol revenue forecasts, it is expected that mills will focus on sugar production for the balance of the season.

- **India:** The Indian Government has approved 1.2 million tonnes of additional sugar export quota. It is believed that a combination of lower-than-initially-expected domestic consumption and slightly higher production has provided sufficient comfort to allow additional exports. This additional quota could potentially mean exports above 11 million tonnes. The policy on 2022-23 exports has not been announced yet but will be significant to the pace of Indian exports in the fourth quarter of 2022.
 - **Commitment of Traders (speculator activity):** Speculators vastly dropped their net position from 37,000 lots long to 41,000 lots short as of last Tuesday 26 July. The Oct22 ICE 11 contract has lost around 137 points in the flat price, with the additional Indian export quota and UNICA numbers supplementing the bearish technical momentum in the market.
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Currency

- Overview:** Despite recession fears disturbing most markets, the Australian Dollar (AUD) outperformed the US Dollar as risk sentiment enjoyed a relief rally following last week's Federal Open Market Committee meeting. The AUD traded from a low of 68.79 US cents last Monday up to its weekly high of 70.32 US cents on Friday.
- Economic Data:** Aussie inflation data (CPI) for Q2 came in below expectations with headline inflation at 1.8% quarter on quarter and 6.1% year on year. The trimmed mean rate (see our *Jargon Buster*) came in at 4.9% year on year. We take from the numbers that inflation is clearly high, with trimmed mean inflation at its highest quarterly rate since 1990. The numbers will continue to put pressure on the Reserve Bank of Australia (RBA) to move to more neutral and eventually restrictive policy settings.
- FOMC meeting:** As expected, the Federal Open Market Committee has raised US interest rates by 75 basis points, taking the target range to 2.25 - 2.5%. Markets continue to pay close attention to any downside

risks to the US economy and the possibility that inflation will remain sticky. US Federal Reserve Chair Jerome Powell's comments last week indicated that the Fed's rate hike speed should start to slow down soon but will remain data dependent. Powell's comments were taken by markets as a slight moderation in Fed hawkishness.

- **RBA:** As expected, the RBA today raised the cash rate target by 50 basis points to 1.85%. The RBA Board expects to take further steps in the normalisation of monetary conditions in Australia and to bring inflation back to target.

Jargon Buster

The Trimmed Mean

The trimmed mean provides an indication of the medium-term trajectory of inflation and the health of the economy. It aims to remove the volatility observed in the quarterly price change of the CPI caused by large, irregular price movements by 'trimming' away changes at both ends of the spectrum, producing a weighted average of percentage change from the middle 70% of the distribution.

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

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