



20 September 2022

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## Weekly Market Overview

### Indicative ICE 11 Prices

Season	AUD/MT*	Weekly Change
2022	576.24	-0.05%
2023	550.01	-0.21%
2024	531.29	-0.33%
2025	517.29	-0.55%

*\* These figures are indicative of available ICE 11 prices as at the week ending 16 September 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.*

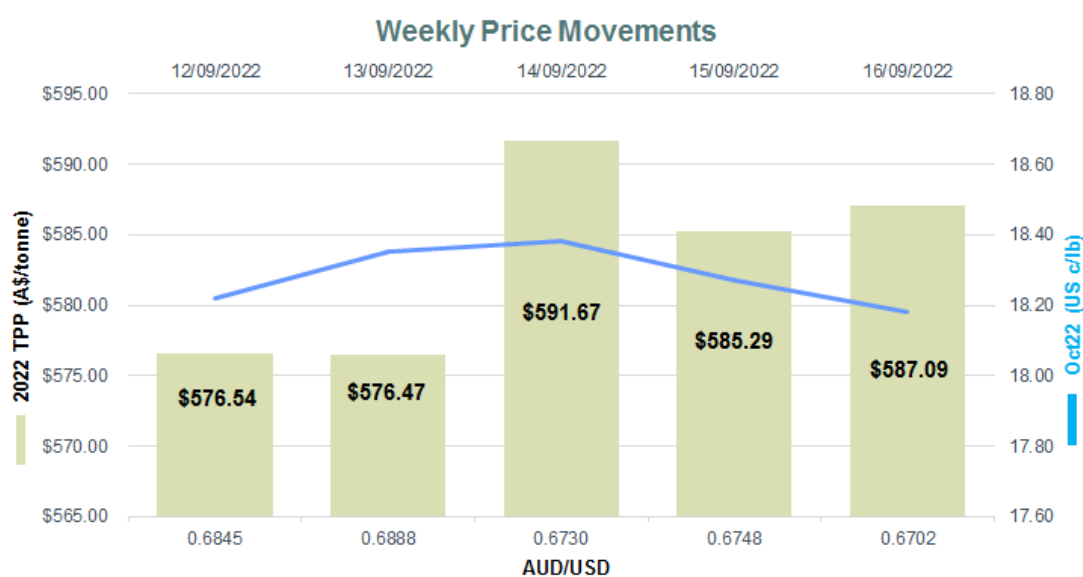
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### Sugar

- **Overview:** News of higher-than-expected US inflation figures as well as a strong sugar mix reported from Centre South Brazil were likely the cause of ICE 11 sugar futures reversing their trend higher and moving back sub-18 USc/lb last week. The expiring Oct22 contract traded to a high of 18.59 USc/lb on Tuesday, before falling to weekly lows of 17.87USc/lb and closing the week down 1.9% at 17.88 USc/lb.
  - **Centre South Brazil:** The Brazilian Sugarcane Industry group UNICA released a harvest update for the second fortnight of August, with most figures printing in line with expectations. Total sugar production has reached 21.7 million tonnes while over 366 million tonnes of cane has been harvested, still lagging last season by 10.5% and 6.9%
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respectively. The sugar mix jumped nearly two percentage points higher to 48.45% for the two-week period, bringing the season-to-date mix to 45.2% towards sugar. Market consensus is pointing towards total sugar production of 32-33 million tonnes.

- India:** There have been no signs as yet of a withdrawal of the Indian monsoon which typically begins to retreat in mid-September. Rainfall is forecast for the wider Maharashtra and Uttar Pradesh over the next week. An announcement of an initial 5 million tonne export allowance for next season's crop is expected shortly from the Indian Government – significantly less than the 11 million tonnes estimated to be exported from the current season's crop – as India looks to replenish their depleted domestic stocks. That being said, there is still potential for a sugar trade deficit in Q4/Q1 before new-season Indian sugar becomes available on the world market.
- Commitment of Traders (speculator activity):** The net speculator position fell by 20,000 lots to a small 5,000 lots net short as of Tuesday 13 September. The small position held in sugar is likely reflective of tight, range-bound pricing activity in ICE 11 futures, giving speculators few profit-trading opportunities.



## Currency

- **Overview:** Last week was dominated by the US inflation data print coming in above market expectations, causing the US Dollar to skyrocket back to almost 20-year highs. The Australian Dollar crashed lower, trading from a high of 69.16 US cents on Tuesday, down to a low of 66.70 US cents on Friday.
- **US Inflation:** The inflation story is far from over in the United States with August headline CPI falling to only 8.3% from 8.6% against market expectation of a large drop to 8.1%. Core CPI (see *our Jargon Buster*) also jumped higher by 0.6% to 6.3%. The services sector is largely responsible for the disappointing results, which is concerning as these categories are primarily driven by wage inflation; reflecting the red-hot labour market in the US. The Federal Open Market Committee is meeting on Wednesday and is very likely to deliver yet another 75 basis point rate hike, with an outside chance of 100 points.
- **Australian Labour Force:** The Australian unemployment rate ticked 0.1% higher to 3.5% in August, reflecting an additional 33.5k jobs added for the month. The solid figures open the door for the RBA to hike the cash rate by another 50, if not 75 basis points in October as the labour force appears to be holding its ground. Some economists are forecasting the unemployment rate to surpass the July lows of 3.4% and fall to sub-3% in early 2023.

### Jargon Buster

#### What is the difference between Core and Headline Consumer Price Index (CPI)?

The Consumer Price Index (CPI) is a statistical measure of the change in price over time of a fixed basket of goods and services. Core CPI differs from Headline CPI in that it does not include the price of food and energy prices as these are considered

volatile items and can skew the perception of inflation. This is why Core CPI is said to be more accurate than Headline CPI.

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