

# QSL MARKET UPDATE



15 August 2023

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## Weekly Market Overview

### Indicative ICE 11 Prices

Season	AUD/MT*	Weekly Change
2023	816.38	+ 4.31%
2024	720.83	+ 3.16%
2025	636.82	+ 2.77%
2026	610.83	+ 5.79%

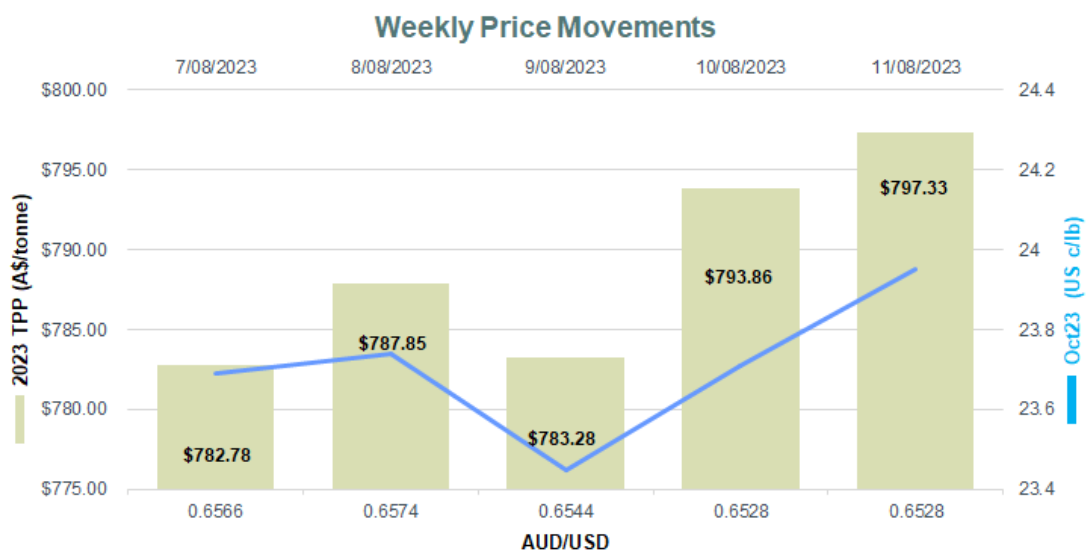
\* These figures are indicative of available ICE 11 prices as at 14 August 2023 and reflect the weighted average AUD/mt price. The prices have been adjusted to include Over-the-Counter margin fees charged by banking institutions and so may differ from daily prices quoted by the ICE 11 Exchange and/or 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 a slow start to the week, the ICE 11 raw sugar market rebounded strongly and closed higher, despite a record UNICA (the Brazilian sugarcane body) release. The prompt October contract fell to a low of 23.45 USc/lb on the Wednesday, before trading up to a weekly high of 23.95 USc/lb on the Friday.
- **Brazil:** UNICA released their bi-weekly report for the second half of July on 11 August. The report broke all-time records for fortnightly

production with 53 million tonnes of cane crushed and 3.68 million tonnes of sugar produced, bringing season-to-date totals to 311 million tonnes of cane and 19 million tonnes of sugar. Sugar production is up 19.79% year-on-year, while cane crushed is up 9.74% year-on-year for the Centre South region. The sugar mix was again above 50% for the second fortnight in a row, continuing a 15-year record which was initially broken in the first half of July.

- **Brazilian weather:** Over the last fortnight harvesting conditions have once again been favorable in Centre South Brazil, however the 10-day forecast shows the potential for showers and storms across the region. While the El Nino weather pattern has yet to take effect in the Brazilian cane regions, promising signs of rain could slow down operations.
  - **Indian:** Mixed reports from India have suggested that the two southern cane regions of Maharashtra and Karnataka have received low rainfall for August thus far, reigniting concerns of a potential poor crop for the upcoming season. At the same time, the north-eastern state of Uttar Pradesh has reported some cane fields are flooding following significant rainfall.
  - **Speculators:** A reduction of 21,900 contracts by non-index speculators was recorded in the Commitment of Traders report for week ending 8 August. This decrease takes the net-long position of speculators to 111,000 lots which is in line with expectations. Open interest in the ICE 11 raw sugar market also reduced by 7,500.
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## Currency

- Overview:** The AUD continued to succumb to heavy sell-off pressure over fears the weakening Chinese economy will drag the Australian economy down with it. The AUD briefly spiked to a weekly high of 66.16 US cents on the Thursday, before falling to a low of 64.86 US cents late on the Friday.
- RBA:** In his last parliamentary testimony, RBA Governor Philip Lowe stated "the worst is over" in terms of inflation and that Australia is now in a calibration stage for the cash rate. Lowe optimistically believes that the cash rate of 4.1% is restrictive enough to return to the target inflation band, despite the latest quarterly CPI figure printing at 6.0% and signs that underlying core services inflation is remaining sticky.
- United States:** In the US, headline July consumer price index (CPI) printed softer than expected at 3.2% year-on-year, compared to the forecast 3.3%, while core CPI (excludes food and energy) measured in line with consensus at 4.7% year-on-year. While this report will be viewed as a positive sign by the Federal Reserve and is likely to be

enough to leave interest rates on pause at the next meeting, core services inflation is still sticky and does not rule out further rate hikes in the future. The AUD responded positively to the data release and briefly surged higher on the news.

- **China:** Concerns over the slowing down of the Chinese economy continue to intensify as July CPI contracted by 0.3% year-on-year and producer price index (PPI) fell 4.4% year-on-year. While the rest of the world is battling inflation, Chinese domestic recovery is severely underwhelming and shows the government desperately needs to step in with fiscal support. Being a large exporter to China, Australia is highly sensitive to any economic movement in China which has led to the AUD breaking below 65 US cents to fresh year-to-date lows.

## Jargon Buster

### Headline CPI v Core 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, 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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QSL (Queensland Sugar Limited)

Level 12/348 Edward St

Brisbane, Queensland 4000

Australia

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