



QSL MARKET UPDATE



8 August 2023

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Weekly Market Overview

Indicative ICE 11 Prices

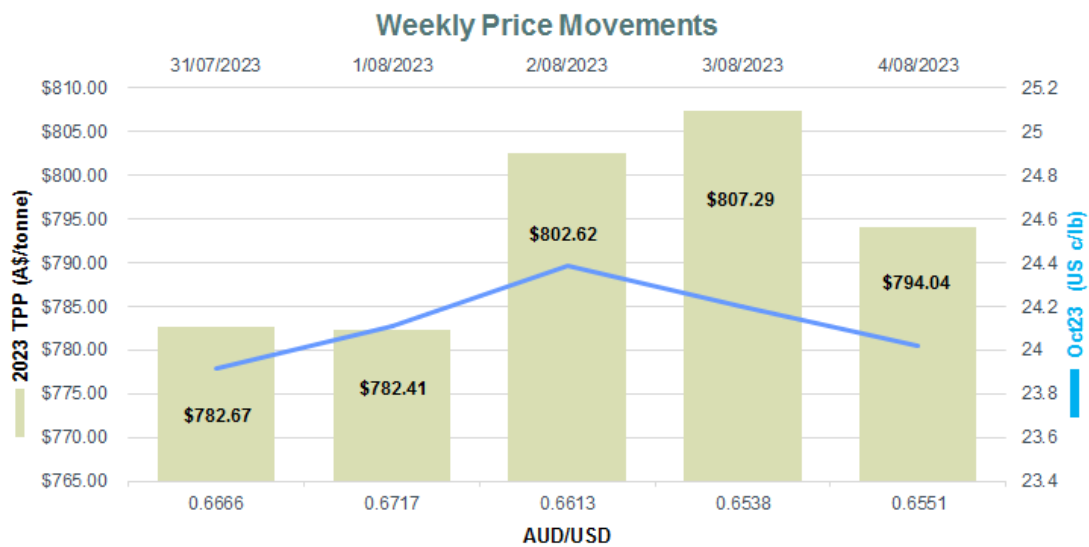
| Season | AUD/MT* | Weekly Change |
|--------|---------|---------------|
| 2023 | 782.78 | 0.01% |
| 2024 | 697.41 | -0.19% |
| 2025 | 620.27 | +0.10% |
| 2026 | 593.43 | +2.77% |

** These figures are indicative of available ICE 11 prices as at 7 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 pushed higher but hit some headwind in the latter half of the week following a weaker macroeconomic outlook that dragged down the commodity index. The prompt October 2023 contract traded from a weekly low of 23.92 USc/lb on the Monday, to a high of 24.39 USc/lb on the Wednesday.

- **Brazil:** UNICA (the Brazilian sugarcane industry association) is set to release a record bi-weekly report for the second half of July this Thursday, 10 August. Favorable dry conditions and efficient milling operations have been the reason for this year's crush success, although rainfall is predicted over the next two weeks in some of the key cane growing regions.
 - **Brazilian Real:** Against expectations, Brazil's central bank kicked off its rate easing program by cutting its cash rate by 50 basis points to 13.25%. The first rate cut in three years came as a surprise to markets and saw the Brazilian Real weaken to 4.9161 Reais per US Dollar.
 - **India:** The Indian Sugar Mills Association (ISMA) released their initial estimates last Thursday for the upcoming 2023/24 season. The ISMA has predicted 31.68 million tonnes of sugar will be produced, down 3.8% year-on-year, of which approximately 27.5 million tonnes of sugar is earmarked for domestic consumption. While the ISMA forecast is at the lower end of current predictions, estimates could change depending on the current monsoon season which was slow to start but has now caught up to the longer-term average.
 - **Speculators:** A reduction of 10,000 contracts by non-index speculators was recorded in the Commitment of Traders report for week ending 1 August. This increase takes the net-long position of speculators to 133,000 lots net-long which is in line with expectations. Open interest in the ICE 11 raw sugar market also increased by 8,500 lots.
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Currency

- Overview:** The AUD was significantly weaker last week following the Reserve Bank of Australia's (RBA) decision to hold rates and soft Chinese manufacturing data. The AUD traded up to a weekly high of 67.40 US cents on the Monday, before collapsing to a weekly low of 65.14 US cents on the Thursday.
- AUS interest rates:** The RBA last week announced the cash rate in Australia will remain unchanged at 4.1%, with a pause providing time to assess the impact of previous rate hikes. With inflation at 6% for Q2 and the June indicator at 5.4%, there is optimism that a soft landing (see Jargon Buster below) is achievable. Inflation is still far from the RBA's ideal range of 2-3%, which they predict will be reached by late 2025.
- United States:** In the US, unemployment unexpectedly fell to 3.5% in July, down from 3.6% in June, while an additional 187,000 jobs were added. Wage growth was also higher than expected, printing a 0.4%

change month-on-month and a 4.4% change year-on-year.

- **Fitch Ratings:** Fitch Ratings Inc., a key international credit rating agency, dropped their rating of US sovereign debt down from AAA to AA+. A report from Fitch stated that the move was due to the debt pile created from pandemic stimulus programs and continued tax cuts, which they say will likely result in fiscal deterioration over the next three years. Risk assets such as the Australian Dollar and most commodities were weaker off the back of this news.
- **Coming up:** US inflation data is set to be released on 10 August with most economists expecting a small rise in consumer price index (CPI) after consistent easing over the past months.

Jargon Buster

Soft landing

A "soft landing" is when a central bank can slow the economy enough to curb demand and rein in inflation, but not so much as to trigger a contraction in gross domestic product and a rise in unemployment.

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