



8 February 2024

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## Weekly Market Overview

### Indicative ICE 11 Prices

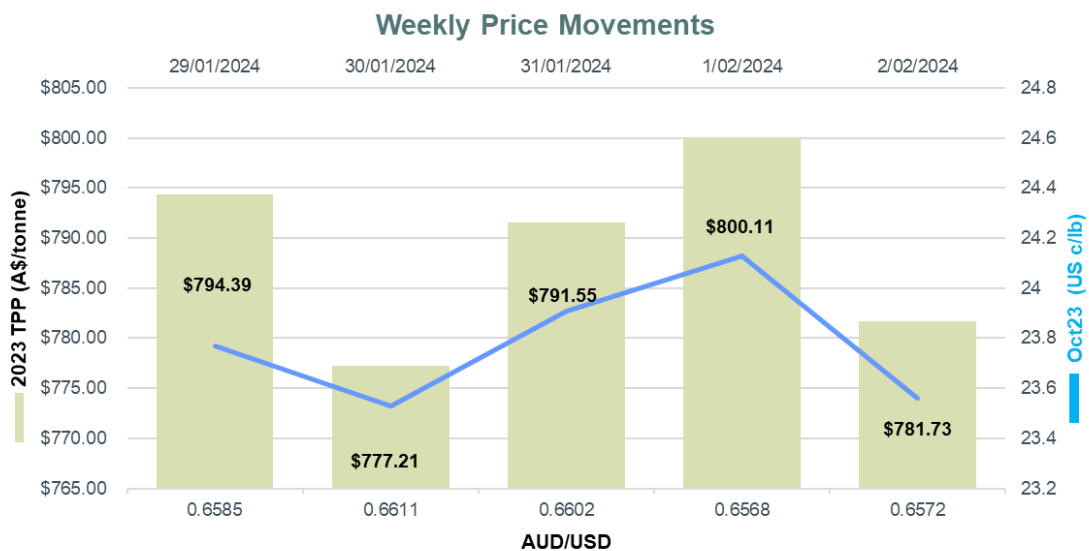
Season	AUD/MT*	Weekly Change
2023	802.29	+1.00%
2024	754.08	+0.82%
2025	685.98	+0.11%
2026	631.12	-1.36%

\* These figures are indicative of available ICE 11 prices as at 5 February 2024 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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- **Overview:** The raw sugar futures market was quiet last week, struggling to break through to higher ground as speculators continued to show little interest in the ICE 11. The prompt March 2024 ICE 11 contract traded from a high of 24.30 USc/lb on the Monday, to a low of 23.29 USc/lb on the Tuesday before closing the week up 0.5% at 23.89 USc/lb.
  - **India:** In the harvest update for the second half of January, it was reported that 517 Indian mills were operational, with approximately 36.5 million tonnes of cane crushed and 3.85 million tonnes of sugar
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produced for the period. The cumulative cane crushed for the 2023/24 season stood at 192.8 million tonnes, reflecting a 4% year-on-year decrease. Sugar production had also declined by 3.2% year-on-year, down to 18.7 million tonnes. Ethanol production is still capped at 1.7 million tonnes of sugar equivalent, with the government denying requests to increase production.

- Brazil:** The key cane-growing region of Centre South Brazil continues to see below-average rainfall, a weather pattern experienced since early December. As of 28 January, the region had received 56mm of rain, less than half of the 117mm recorded last year and the long-term average of 121mm. If dry weather persists, it is likely that cane cut at the tail end of the harvest will see poor results.
- Commitment of Traders:** The ICE 11 Commitment of Traders report as of 30 January revealed a virtually unchanged position week-on-week, with an increase of just 175 contracts. Speculators were reported to have held a 23,350-net long position, indicating that they are still happy to remain on the sidelines for the time being.



## Currency

- **Overview:** It was a busy week for the Australian dollar (AUD) with the Federal Open Market Committee (FOMC) and Reserve Bank of Australia (RBA) meetings, as well as the latest quarterly Australian inflation data all putting pressure on the AUD. The AUD traded from a high of 66.25 US cents the Tuesday, to a low of 65.02 US cents on the Friday.
  - **Inflation:** Australia's Consumer Price Index (CPI) printed softer than expected last week, with Q4 headline inflation slowing to 4.1% for the 12 months to December 2023, down from 5.4% in Q3. The trimmed mean inflation (an alternative statistical measure of underlying inflation pressures) also declined from 5.1% in the September 2023 quarter, down to 4.2% in December, below economist projections and the RBA's forecasts of 4.5%. While this will likely be interpreted as a positive step by the RBA, there is still a long road ahead to reach the 2-3% inflation target.
  - **Interest rates:** As expected, the RBA left the official cash rate of Australia unchanged at 4.35% on Tuesday 6 February. In its post-meeting statement, the RBA emphasised the cautiousness it will display moving forward by stating, "a further increase in interest rates cannot be ruled out." Modelling from the RBA suggests that it will be 2025 before the 2-3% inflation target is reached.
  - **FOMC:** In the US, the FOMC announced its decision to keep the policy rate within the range of 5.25% to 5.5% on 31 January. The announcement marks the fourth consecutive meeting where the Federal Reserve (Fed) has chosen to maintain existing interest rates. Although it is probable that interest rates are at their peak in the current tightening cycle, it is uncertain when rate cuts will begin.
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- **Geopolitics:** Financial markets were on high alert last Friday following the response from the United States in relation to the Iranian militia attack on a US base in Jordan which killed 3 US military personnel. As warned, US President Joe Biden responded to the attack forcefully, authorising airstrikes on the Iranian-backed group. This follows an attack on a British oil tanker by Houthi rebels in the Red Sea in late January. Any further escalation of tensions in the region could lead to further risk-off sentiment and likely put further pressure on the AUD.

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