



QSL MARKET UPDATE



10 August 2021

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Weekly Market Overview

Indicative ICE 11 Prices

Season	AUD/MT*	Weekly Change
2021	561.51	+4.14%
2022	503.67	+3.58%
2023	439.90	+2.68%
2024	407.43	+4.28%

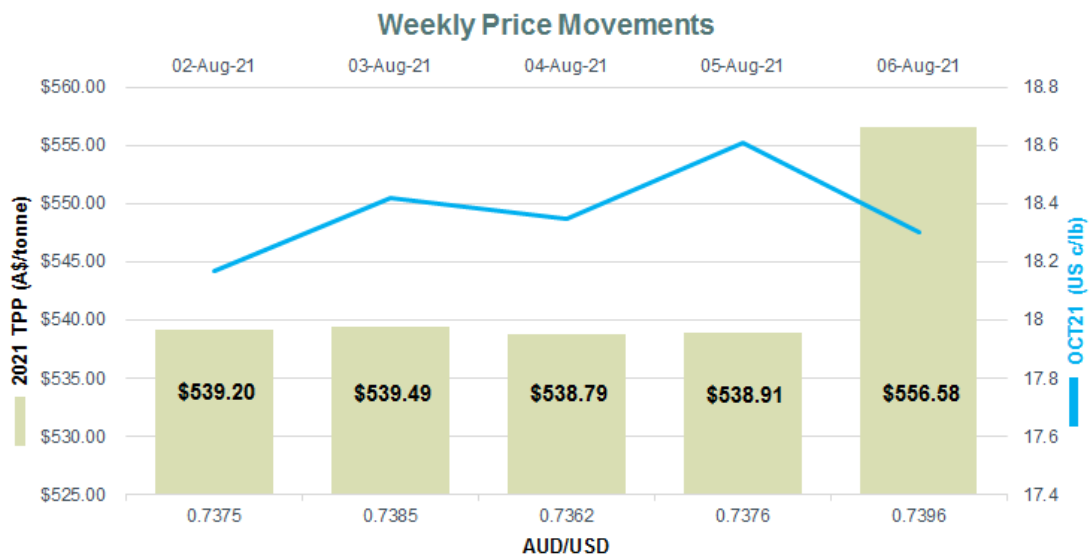
**These figures are indicative of available ICE 11 prices as at the week ending 9 August 2021 and reflect the weighted average AUD/mt price. The prices have been adjusted to include Over-the-Counter margin fees charged by banking institutions and so may differ from daily prices quoted by the ICE 11 Exchange and/or other Marketeters of Growers' Economic Interest in Sugar. Values also do not account for any adjustments resulting from local Grower-Miller pricing arrangements.*

Sugar

- A further downgrading of the Centre South (CS) Brazil sugarcane crop saw raw sugar prices spike at the latter stage of last week, pushing the front ICE 11 futures contracts out to new life-of-contract highs. The October 2021 contract traded from a weekly low on the Tuesday of 17.74 USc/lb up to a new high of 18.92 USc/lb on Friday before

closing the week up 4.3% at 18.68 USc/lb.

- Now that the dust has settled from the third frost in CS Brazil cane regions, traders have once again reduced their 2021-Season forecasts, leading some to believe that Brazilian sugar producers may be over-hedged. One Asian-based trade house announced they have revised their Brazilian estimate down to 490-500 million tonnes of cane and 28 million tonnes of sugar, well below the current market consensus of 31-33 million tonnes of sugar.
 - To fill the supply gap created by a smaller CS Brazil crop, the market is looking to India to export additional tonnage, now made viable by rising ICE 11 sugar prices. Some reports suggest that India has already committed to 800,000 tonnes of export sugar for the 21/22 Season.
 - The Brazilian currency softened 1.8% across the week, with the Real trading at 5.24 vs the US Dollar. Firming ethanol prices in Brazil pushed spot ethanol parity to strengthen slightly at 17.58 USc/lb equivalent.
 - As of Tuesday 3 August, speculators maintained their large net-long position of 213,000 lots, slightly down week on week. Given the significant rally on 5/6 August, this position is likely to be 10-20,000 lots larger on a live basis.
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Currency

- For a second week in a row the Australia Dollar (AUD) floated in the 73-74 US cent range as global markets entertain further risk-on appetite. The AUD hit its weekly low of 73.29 US cents last Monday before trading to a high of 74.27 US cents on Wednesday and eventually closing the week almost flat at 73.56 US cents.
- The Reserve Bank of Australia (RBA) met for its August meeting last Tuesday and, despite extended lockdowns in Sydney and a sixth lockdown in Victoria, remained optimistic towards Australia's economic recovery. Markets were surprised when the RBA stuck to its plans of tapering its quantitative easing (See our Jargon Buster) purchases from \$5 billion per week to \$4 billion per week starting in early September.
- The US labour market made headlines last Friday, printing significantly stronger data for the month of July. The unemployment rate fell from 5.9% to 5.4% and non-farm payrolls rose 943,000 jobs

across the month. Average hourly earnings and the participation rate also surprised to the upside, leading markets to believe the Fed could announce a tapering to its own quantitative easing program sooner rather than later.

- In China, an outbreak of the Delta variant of COVID-19 put markets on high alert. Case numbers are now over 300 so far, spread across almost half of the 32 provinces. Brent crude oil prices weakened to \$US72.51 per barrel after a Chinese analyst predicted a potential 5% decline in demand from this latest wave of the infection.

Jargon Buster

What is Quantitative Easing (QE)?

Quantitative easing is a monetary policy implemented by a central bank (such as the RBA) which aims to expand economic activity. The central bank will buy long-term financial assets, such as government bonds, in order to inject money into and stimulate the economy.

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QSL (Queensland Sugar Limited)

Level 12/348 Edward St

Brisbane, Queensland 4000

Australia

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