



# QSL MARKET UPDATE



17 May 2022

[View this email in your browser](#)

## Weekly Market Overview

### Indicative ICE 11 Prices

Season	AUD/MT*	Weekly Change
2022	609.60	+2.22%
2023	574.70	+2.21%
2024	551.56	+2.62%
2025	529.24	+2.69%

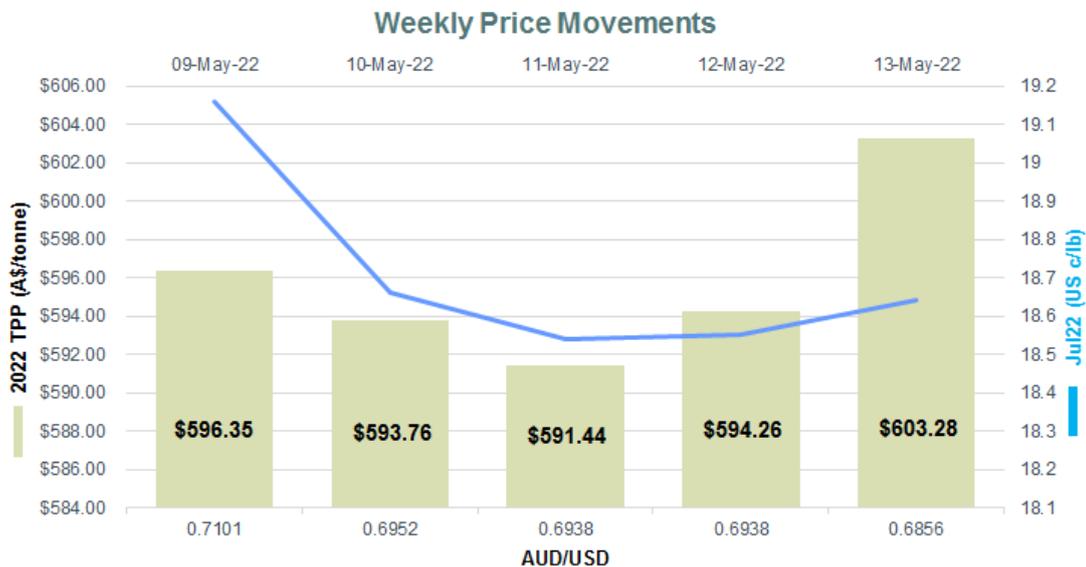
*\* These figures are indicative of available ICE 11 prices as at the week ending 16 May 2022 and reflect the weighted average AUD/mt price. The prices have been adjusted to include Over-the-Counter margin fees charged by banking institutions and so may differ from daily prices quoted by the ICE 11 Exchange and/or other Marketeters of Growers' Economic Interest in Sugar. Values also do not account for any adjustments resulting from local Grower-Miller pricing arrangements.*

### Sugar

- **Overview:** In a similar fashion to the previous week, the ICE 11 raw sugar market weakened for the first four sessions of last week before a strong rebound on Friday left the spot Jul22 futures contract virtually unchanged week on week. The weak macro-economic environment, led by the lockdowns in China, the ongoing Russia/Ukraine conflict and rising interest rates, dragged the Jul22 contract down to a weekly low of 18.30 USc/lb before some optimism returned to markets on Friday and Jul22 traded up to a high of 19.20 USc/lb.
- **Brazil:**

- **Harvest:** The latest UNICA report for the second fortnight of April revealed 23.8 million tonnes of cane had been processed for the fortnight, totalling just over 29 million tonnes for the season to date, down 35.8% on the 2021/22 season. Some 934k tonnes of sugar were produced in the same period, bringing the season-to-date total to 1 million tonnes, down 50.6% compared with the same point last season. The sugar/ethanol split is currently at 35.4%/65.6%, which reflects the premium ethanol is currently paying over sugar.
  - **Ethanol:** The ethanol parity is calculated at approximately 19.80USc/lb equivalent.
  - **Weather:** Mostly fine conditions for the first month of the Brazilian harvest so far. Forecasts have predicted an increased chance of frosts this winter, however some reports believe they will be small, localised incidents and may not affect the main sugarcane areas.
- **Thailand:** With the 2021/22 season harvest now completed, markets look to weather forecasts in an attempt to predict the quality of next season's crop. Long-range forecasts are predicting rainfall 3% above average over the wet season, indicating another strong crop could be on the cards for Thailand. However, cassava prices are reportedly paying an attractive premium over sugarcane, after being pushed higher by the grains supply crisis, and this could incentivise more Thai farmers to switch out their cane for cassava.
- **Commitment of Traders (speculator activity):** Speculators reduced their net long position to sub-100,000 lots net long for the first time in six weeks as the weak macro-economic position led funds to exit commodity and equity markets and shift their holdings to traditionally safer financial avenues (such as bonds and the US Dollar). The Commitment of Traders reported dated 10 May reported a reduction of 19,000 lots to 92,000 lots. Given the spot Jul22 futures are currently trading more than 50 points higher than Tuesday 10 May, it

is expected the speculators' position has bounced significantly from this level.



## Currency

- **Overview:** The Australian Dollar (AUD) was under pressure for the majority of last week as risk-off sentiment (*see our Jargon Buster*) continued to dominate markets and push the "safe haven" US Dollar (USD) to 20-year record highs. The AUD traded from a high on Monday of 70.89 US cents down to a low of 68.29 US cents, breaking the 70-cent handle for the first time in 5 months.
- **United States:** The April consumer price index (CPI) data release underperformed market expectations as the headline inflation figure fell by less than expected, from 8.5% to 8.3% against the expected 8.1%. The cost of food and home utilities such as electricity and airfares were some of the main drivers of inflation in April, leading to further market volatility.
- **COVID 19:** Some positive sentiment returned to global markets last Friday after the mayor of Shanghai stated that the major Chinese city is planning an "orderly opening-up" by 20 May after recording

minimum COVID cases outside quarantine. However, there are rumours Beijing will possibly also be forced into a city-wide lockdown as daily cases continue to climb after recording 56 infections on Friday.

- **Coming up:** The Reserve Bank of Australia (RBA) has flagged it will be closely watching the Australian Q1 wages data which is set to be released tomorrow (18 May) to determine the pressure on the labour market and this may shape their next interest rate decision. Consensus is predicting a 2.4% year-on-year increase.

## Jargon Buster

### What is Risk Sentiment?

Sentiment is the general attitude of market traders towards the future price of an asset class, whether that is commodities, such as sugar, or foreign exchange.

When a market is trading with Risk-Off Sentiment, traders have a negative (bearish) view whilst Risk-On Sentiment indicates a positive (bullish) view.

QSL is Australia's largest and most experienced  
raw sugar marketer

[To learn more about us, click here](#)