



QSL Market Update – 15 April 2022

Description

Raw Sugar prices

Overview: The ICE 11 raw sugar market spent last week trading sideways after a brief trip sub-19 US c/lb on Tuesday based on rumours of a ceasefire in Ukraine. The prompt May 2022 contract peaked for the week at 19.64 USc/lb on the Monday before slipping to a low of 18.84 USc/lb the next day, eventually closing the week down 1.2% at 19.37 USc/lb.

Brazil: Brazilian President Jair Bolsonaro has sacked the president of petroleum giant Petrobras after the state-owned fuel company raised fuel prices at the pump as oil prices skyrocketed. Bolsonaro was clear with his intentions to pressure Petrobras into maintaining low prices despite this not being in shareholders' best interests. Free-market economist, Adriano Pires, has been named as the new Petrobras CEO, which some believe should make the company less politically influenced.

India: Hot weather has kept the Indian harvest progressing steadily, leading consensus to forecast up to 34.5 million metric tonnes (mt) of sugar production for the season. Of this, 7.2 million mt has been confirmed for export sales and has the potential to rise to 8.5 million mt, depending on market conditions. India is expected to use 27.5 million mt for domestic consumption.

Commitment of Traders (speculator activity): There was little change to speculators' net long position last week as expected from a virtually unchanged sugar price. The Commitment of Traders report dated 29 March revealed the specs were holding a 98,000-lot net long position, up 3000 lots week-on-week.

Currency

Overview: The Australian Dollar (AUD) traded sideways last week, with volatility pegged to ongoing peace negotiations between Ukraine and Russia. The AUD traded from a high of 75.40 US cents on Monday to a low of 74.57 US cents on Tuesday before closing the week at 74.99 US cents.

Oil: Oil prices sank on Thursday after news that the US would begin to release 1 million barrels a day from strategic reserves, which could leave the government's reserves at their lowest levels since 1984. Brent crude oil closed the week down 12.8% at US\$99.27 per barrel.

US Data: A solid US labour report revealed the unemployment rate in the United States fell 0.2% to 3.6% in March (only 0.1% above pre-pandemic levels). Non-farm payrolls also increased by 431,000 jobs. The strong data release solidifies evidence for further rate hikes from the Federal Open Market Committee, with markets expecting a 50 basis point rise in May.

Federal Budget: Locally, the Australian federal budget revealed few surprises for markets to enjoy. A temporary 50% cut in the petrol/diesel excise for 6 months was announced, along with a cash payment to welfare and pension recipients, and a cost-of-living tax offset for low and middle income earners. The budget deficit is expected to fall to \$43.1 billion from 2023-2026.



This is a whole-of-season ICE 11 price chart for the 2021 Season, based on the current 5:1 pricing ratio applicable to QSL Target Price Contract growers. Source: Bloomberg

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