

## CBA Ag Weekly Wrap - week ending Friday 2<sup>nd</sup> December.

- Strong gains were observed across the commodity complex last week as markets started to claw back some of the early November losses. The S&P-GS Commodity Price Index rose 3½%. The CBA Rural Commodity Price Index rose 5.3% in USD terms but closed flat in AUD terms, thanks to the 5.4% rally in the AUD/USD for the week.
- Outside markets provided a strong lead for the agriculture complex last week. Copper rallied more than 9% and US equities rose ~7½%. The USD index fell 1.3%, providing a valuation boost for US denominated commodity prices. A further improvement in US economic data plus fresh policy stimulus in Europe helped boost investor confidence.
- Chicago wheat futures rallied 6.6% for the week, making it the best performing ag commodity on our watch list. US soybeans followed with 2.6% gains, and ICE sugar futures rose 2.4%. Only two of the 12 ag commodities on our radar suffered losses - Canadian canola finished slightly lower and Australian wheat prices fell nearly 2%. The stronger Canadian and Australian dollars (against the US greenback) were largely responsible for these price declines.
- Short covering and unwinding of long corn / short wheat spreads supported the outperformance of wheat last week. The wheat market is also monitoring dryness in Europe and the Black Sea. Media reports suggest Ukraine's winter wheat output will decline by more than 60% in 2012 to 8.5 million tonnes. A crop of this size would cut Ukraine exports to zero.
- Trade in the cotton market remains thin and directionless. The weak economic environment in Europe and slowing Chinese growth is a constraint to cotton demand. But improving economic prospects in the US provide a partial offset. The bounce in the sugar market did not appear driven by any sugar specific news flow.
- The east Australian grain harvest resumed last week after recent weather related delays, but some northern fields remain inaccessible. Grain quality has declined substantially, resulting in a relative shortage of high protein milling wheat and a significant oversupply of lower quality grain. Grade spreads have subsequently widened. The livestock sector is the key beneficiary of the recent excess rainfall because of improved pasture availability and cheap feed grain supplies.

Figure 1: Commodity price snapshot

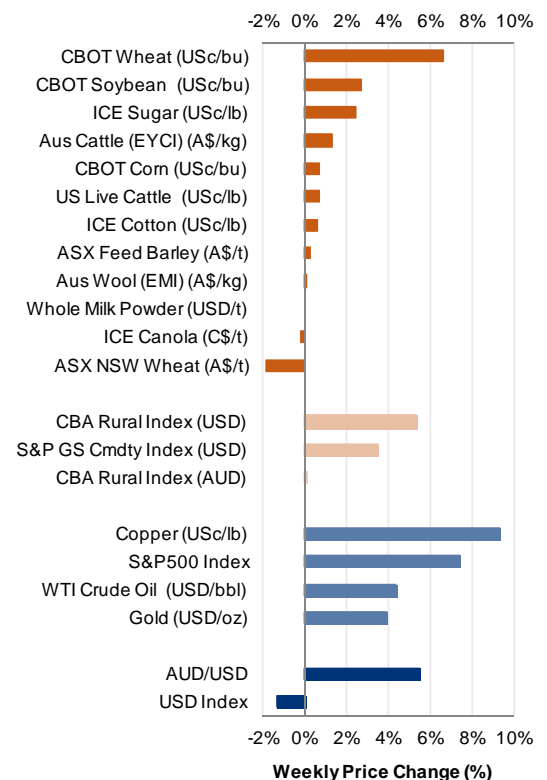
Commodity	Last*	1 week change	1 month change	6 month change	12 months change
CBOT Wheat (USc/bu)	612.25	6.6%	(1.8%)	(20.9%)	(17.0%)
CBOT Soybean (USc/bu)	1135.75	2.6%	(4.8%)	(19.7%)	(12.7%)
ICE Sugar (USc/lb)	23.45	2.4%	(7.7%)	(2.1%)	(20.5%)
Aus Cattle (EYCI) (A\$/kg)	4.05	1.3%	1.1%	4.5%	6.2%
CBOT Corn (USc/bu)	586.50	0.7%	(9.1%)	(22.2%)	4.9%
US Live Cattle (USc/lb)	121.90	0.7%	(0.1%)	17.0%	18.1%
ICE Cotton (USc/lb)	91.35	0.6%	(7.1%)	(43.5%)	(35.8%)
ASX Feed Barley (A\$/t)	180.50	0.3%	(8.4%)	(24.8%)	(19.1%)
Aus Wool (EMI) (A\$/kg)	11.93	0.1%	(2.9%)	(14.7%)	17.7%
Whole Milk Powder (USD/t)	3575.00	0.0%	2.1%	(12.8%)	1.4%
ICE Canola (C\$/t)	502.30	(0.2%)	(3.7%)	(15.9%)	(9.2%)
ASX NSW Wheat (A\$/t)	215.00	(1.8%)	(4.2%)	(27.6%)	(32.4%)
CBA Rural Index (USD)	224.45	5.3%	(2.4%)	(14.5%)	(3.6%)
S&P GS Cmnty Index (USD)	658.32	3.5%	2.4%	(5.9%)	8.1%
CBA Rural Index (AUD)	162.45	0.0%	(1.4%)	(10.9%)	(7.2%)
Copper (USc/lb)	357.25	9.3%	(0.2%)	(13.5%)	(10.6%)
S&P500 Index	1244.28	7.4%	0.5%	(4.3%)	1.6%
WTI Crude Oil (USD/bbl)	100.96	4.3%	9.1%	0.7%	13.2%
Gold (USD/oz)	1745.50	3.9%	0.8%	13.2%	24.1%
AUD/USD	1.02	5.4%	(0.8%)	(4.9%)	3.5%
USD Index	78.63	(1.3%)	2.1%	6.6%	(0.9%)

Friday, 2 December 2011

First contract (Unless otherwise stated)

Source: Bloomberg and CBA

Figure 2: Weekly movers



Source: Bloomberg and CBA

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