

CBA Ag Weekly Wrap - week ending Friday 13th January

- Agricultural commodity markets finished in the red last week after big late-week declines overwhelmed earlier gains. For the week the S&P-GS Commodity Price Index rose fell 1.6%, the CBA Rural Commodity Price Index (USD terms) fell 0.6% and in AUD terms, the Index fell 1.4%, owing to a 0.6% rise in the AUD/USD exchange rate.
- Outside markets provided a mixed lead for the agriculture complex last week. Copper rallied 6%, most major equity exchanges finished in positive territory, but crude oil markets fell 2-3% for the week. The USD index ended 0.3% firmer, with the majority of the gains recorded on Friday. A stronger USD weighs on USD denominated commodity prices. US economic data continues to move in the right direction; but the most significant piece of macro-economic news last week was S&P's decision to downgrade nine EU nations over the weekend. These downgrades included G7 heavyweight France whose long term sovereign debt credit rating was cut from AAA to AA+. In wake of these downgrades the USD/EUR is likely to continue to rise, which in turn will hurt USD denominated agricultural commodity prices.
- Sugar was the best performing ag commodity for the week, registering 2.4% gains. However the sugar market is trapped within its two-month trading range between USc22.70-24.70/lb and market moving news remains limited. The Aussie wool market (EMI) started 2012 on a positive note, closing the week at A\$12.16/kg, up 2.3% from the last quote of 2011.
- Eight of the 12 commodities on our watch list declined in value last week. Chicago corn prices fared worst, slumping 6.8%. The weekly trading range was nearly 10%, and the market closed at the bottom of that range. US wheat fell 3.6% for the week (9% range) and soybean prices fell 2.5%. Aussie cattle values (EYCI) fell 3.3% last week from the record highs posted in late 2011.
- Grain market news was exclusively negative last week. Widespread beneficial rain fell throughout South America, easing summer crop production concerns, particularly in Argentina. The rain meant some of the weather related risk premium factored into prices over the Christmas period could be removed. But the most bearish influence on prices was the USDA's WASDE report released on Thursday. US corn production forecasts were unexpectedly raised and US corn stock inventories were left largely unchanged, rather than being slashed as the market had previously expected. World wheat supplies were revised higher once again, and at 210 million tonnes, stockpiles are bulging.

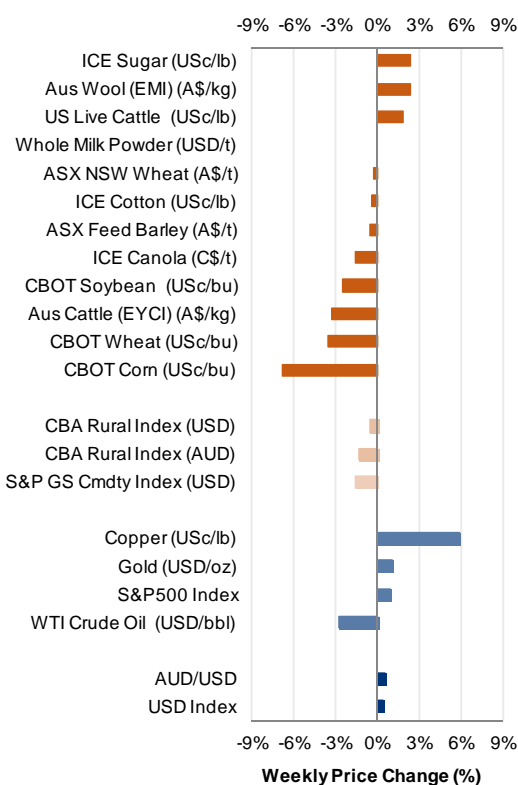
Figure 1: Commodity price snapshot

Commodity	Last*	1 week change	1 month change	6 month change	12 months change
ICE Sugar (USc/lb)	23.84	2.4%	1.7%	(17.7%)	(22.8%)
Aus Wool (EMI) (A\$/kg)	12.16	2.3%	4.1%	(10.7%)	5.6%
US Live Cattle (USc/lb)	122.48	1.8%	3.9%	10.7%	12.0%
Whole Milk Powder (USD/t)	3662.50	0.0%	1.0%	(5.2%)	(2.0%)
ASX NSW Wheat (A\$/t)	210.00	(0.2%)	3.4%	(18.9%)	#VALUE!
ICE Cotton (USc/lb)	95.47	(0.4%)	9.3%	(5.9%)	(32.5%)
ASX Feed Barley (A\$/t)	185.00	(0.5%)	4.3%	(17.8%)	#VALUE!
ICE Canola (C\$/t)	508.10	(1.6%)	0.4%	(11.7%)	(12.8%)
CBOT Soybean (USc/bu)	1160.00	(2.5%)	3.7%	(16.3%)	(17.5%)
Aus Cattle (EYCI) (A\$/kg)	4.13	(3.3%)	(0.0%)	9.8%	0.4%
CBOT Wheat (USc/bu)	602.25	(3.6%)	1.8%	(13.3%)	(22.1%)
CBOT Corn (USc/bu)	599.50	(6.8%)	1.9%	(14.5%)	(7.6%)
CBA Rural Index (USD)	226.90	(0.6%)	3.4%	(10.1%)	(8.8%)
CBA Rural Index (AUD)	163.45	(1.4%)	1.1%	(7.2%)	(12.6%)
S&P GS Cmnty Index (USD)	651.54	(1.6%)	0.5%	(6.1%)	1.3%
Copper (USc/lb)	363.70	5.9%	6.0%	(17.4%)	(17.6%)
Gold (USD/oz)	1633.78	1.0%	(1.4%)	2.8%	20.2%
S&P500 Index	1289.09	0.9%	5.2%	(2.1%)	(0.3%)
WTI Crude Oil (USD/bbl)	98.70	(2.8%)	(1.4%)	1.5%	7.8%
AUD/USD	1.03	0.6%	2.1%	(3.4%)	3.9%
USD Index	81.52	0.3%	1.6%	8.5%	3.0%

Friday, 13 January 2012

First contract (Unless otherwise stated)

Figure 2: Weekly movers



Source: Bloomberg and CBA



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