

The Greenback's influence resurfaces - ag markets weaken.

- **Markets:** US comparable chain store sales rose 3.1pct in December from a year earlier, according to the International Council of Shopping Centres. However US jobless claims rose by a higher than expected 18,000 to a seasonally adjusted 409,000. Nonetheless, the four week average of unemployment claims fell to the lowest levels since July 2008. European shares climbed to their highest level in nearly 28 months on Thursday however US equity markets were modestly weaker.
- **Currencies:** The AUD fell by 0.4% to USD0.9969 overnight (London close) while the USD index rose 0.7% to 80.8pts.
- **Weather:** A coastal trough and moist easterlies are bringing heavy showers and storms to southeast QLD and northeast NSW. A high is keeping the remainder of east dry, while sending warm northerlies into the southeast. A broad trough is triggering patchy rain and storms in SA and WA. (www.weatherzone.com.au)
- **Grains:** US grain markets witnessed heavy selling overnight.
 - CBOT wheat (Mar 11) finished lower by 2.4% (19¼¢) at USc789/bu, while the Dec 11 contract fell 15 ¼ cents to USc860.75/ bu (~A329/t). The stronger USD dollar, which has now rallied for two consecutive sessions, was the primary bearish influence on the market overnight. In other news, US wheat export sales for the week ending 30 Dec came in at 464.7kt, up from 433kt the week prior and above market estimates.
 - CBOT corn (Mar 11) dropped 2.8% (17¼¢) to USc602/bu on the back of weak US corn sales and the firmer USD. For the week ended 30th Dec, US corn export sales totalled only 369kt, down by more than 47% from the previous weeks result and significantly behind estimates of 500-700kt. Also, Brazilian government agency Conab lifted their estimate of Brazil's 2010/11 corn crop slightly to 52.72mt amid generally favourable crop conditions. This compares to the USDA's Dec WASDE forecast of 51mt.
 - ASX NSW wheat for the 2011/12 harvest bounced overnight, with the Jan 12 contract firming by \$10/t to \$317.5/t. Gains in the international market in the previous session, plus the weakening AUD, contributed to the gains in the local market. Widespread rainfall is expected to extend throughout eastern Australia over the weekend and into early next week. The rain will disrupt late harvest progress in southern regions while northern districts may continue to experience flooding. I
- **Oilseeds:** CBOT soybeans (Mar 11) fell 1.1% (15½¢) to USc1378bu. US soybean export sales over the Christmas period came in at 552.7kt, below estimates of 700-900kt. Over the past 4 weeks, total US soybean sales have lagged the year-ago pace by 40%. Meanwhile The Brazilian government maintained their domestic soybean crop forecast at 68.55mt. This is ahead of the USDA's current estimate of 67.5mt. Finally, an improvement in the Argentinean rain forecast contributed to the negative market mentality. Nonetheless, crop stress is likely to continue in many areas, and further substantial rains are needed. Canadian canola (ICE Mar 11) finished lower by C\$2.5 at C\$586.6/t after a relatively choppy session.
- **Cotton:** ICE cotton (Mar 11) traded in a huge 789pt range overnight but ended lower. The market surged up to USc149/lb in early trade before reversing sharply lower to close at USc141.22/lb, down 2.7% (398pts) from the previous session's close. Other contracts finished mixed.
- **Sugar:** NY raw sugar futures dropped sharply overnight. The nearby Mar 11 contract fell by 6% (196pts) to USc30.24/lb, the Oct 11 contract was down 105pts to 23.34/lb and the Oct 12 contract fell 95pts to USc21.05/lb. The Mar 11 contract is still just holding above the 50 day MA. The firmer USD contributed to the declines, and interestingly, the Brazilian government revised slightly higher their estimate for 2010/11 sugar output to 38.7mt, up from their September 38.15mt. This includes a CS crop forecast of 33.9mt, up 0.6mt from the previous estimate.
- **Crude Oil:** NYMEX crude oil (Feb 11) dropped 2.3% to USD88.21/bl.

Ag Commodity Markets: Daily Price Summary*

| Commodity | Unit | Mar 11 | Dec 11 | Dec 12 | |
|-----------------------|---------------------------|--------------|--------------|--------------|--|
| US Wheat (CBOT) | USc/bu | 789 -2.4% | 861 -1.7% | 844 -1.7% | |
| | AUD/t | 293 -1.9% | 329 -1.3% | 334 -1.3% | |
| AU Wheat - East (ASX) | AUD/t | 322 +1.9% | 318 +3.3% | 337 +3.1% | |
| AU Wheat - WA (ASX) | AUD/t | 328 +1.6% | 319 +3.4% | 333 +3.3% | |
| US Soybeans (CBOT) | USc/bu | 1378 -1.1% | 1286 -0.7% | 1211 -0.6% | |
| | AUD/t | 512 -0.7% | 491 -0.3% | 478 -0.2% | |
| CA Canola (ICE) | CAD/t | 587 -0.4% | 529 -0.6% | 497 -0.9% | |
| | AUD/t | 595 -0.1% | 548 -0.3% | 528 -0.6% | |
| AU Canola (ASX) | AUD/t | 556 0.0% | 556 0.0% | 556 0.0% | |
| US Corn (CBOT) | USc/bu | 602 -2.8% | 550 -1.5% | 516 -2.1% | |
| | AUD/t | 239 -2.3% | 225 -1.0% | 218 -1.8% | |
| AU Barley (ASX) | AUD/t | 199 +0.8% | 215 +0.5% | 215 +0.5% | |
| AU Sorghum (ASX) | AUD/t | 235 +0.4% | 233 +0.4% | 233 +0.4% | |
| US Raw Sugar (ICE) | USc/lb | 30.24 -6.1% | 23.34 -4.3% | 20.05 -4.5% | |
| | AUD/t | 671 -5.7% | 532 -3.9% | 475 -4.2% | |
| US Cotton (ICE) | USc/lb | 141.22 -2.7% | 128.25 -2.2% | 94.97 +0.3% | |
| | AUD/bale | 714 -2.3% | 658 -1.8% | 511 +0.6% | |
| AU Wool EMI (AWEX) | AUD/kg | Latest | % chg | Last Pricing | |
| | | ~ | ~ | 6/1/11 | |
| AU Cattle (EYCI) | AUD/kg | Latest | % chg | Last Pricing | |
| | | 3.9 | 0.0% | 21/12/10 | |
| Crude Oil (WTI) | USD/bl | 88.19 | -2.3% | 6/1/11 | |
| | AUD/bl | 88.46 | -1.9% | 6/1/11 | |
| Commodity Indices | Latest | % chg | Last Pricing | | |
| | S&P Agri & L'stock (USD) | 1327 | -2.0% | 6/1/11 | |
| | S&P Agri & L'stock (AUD) | 1331 | -1.6% | 6/1/11 | |
| | S&P All Commodities (USD) | 4856 | -1.4% | 6/1/11 | |
| | S&P All Commodities (AUD) | 4871 | -1.0% | 6/1/11 | |
| Currencies | Latest | pts chg | % chg | | |
| | AUD/USD | 0.9969 | -0.0045 | -0.4% | |
| | AUD/CAD | 0.9923 | -0.0032 | -0.3% | |
| | AUD/JPY | 82.88 | -0.45 | -0.5% | |
| | USD Index | 80.8 | 0.6 | 0.7% | |
| Equity Markets | Latest | pts chg | % chg | | |
| | ASX S&P200 | 4725 | 10 | 0.2% | |
| | US DJI | 11685 | -38 | -0.3% | |
| | UK FTSE | 6020 | -24 | -0.4% | |

* Prices are the closing exchange traded futures prices.

Changes are daily. Last pricing date is 06/01/11, previous pricing date is 05/01/11

Sources: Bloomberg and CBA

** AUD Equivalent Price



Figure 1: CBOT Wheat (1st Contract, US\$/bu)

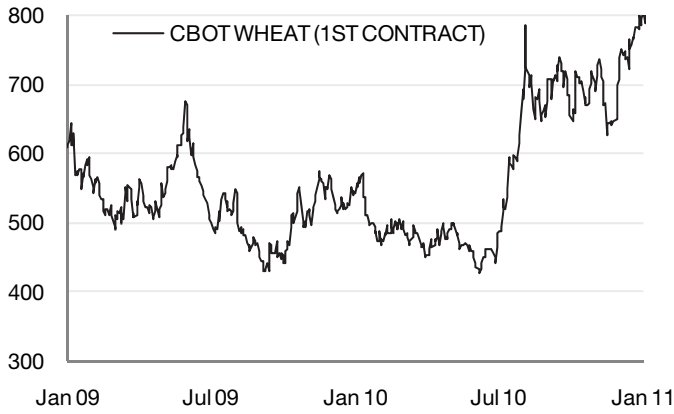


Figure 2: ASX NSW Wheat (Jan 11 Contract, A\$/t)

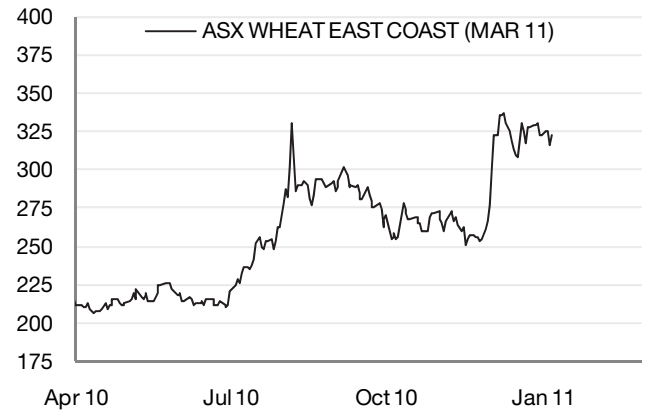


Figure 3: CBOT Corn (1st Contract, US\$/bu)

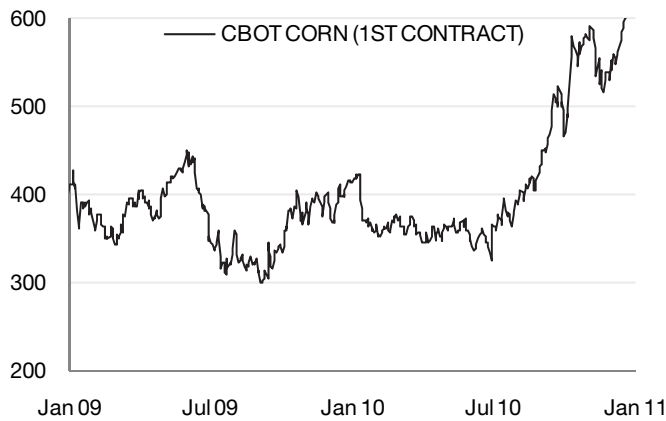


Figure 4: ASX Feed Barley (Jan 11 Contract, A\$/t)

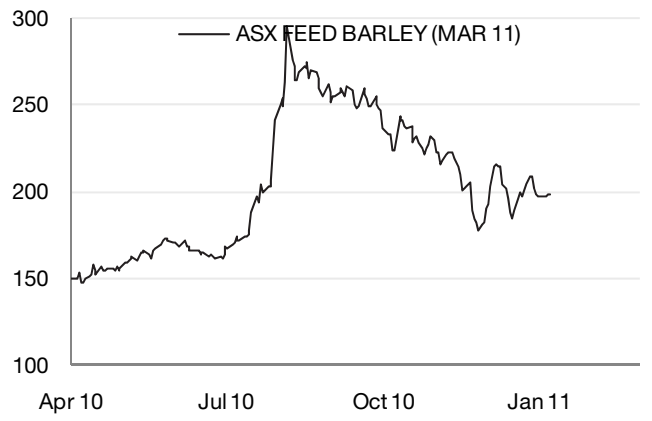


Figure 5: CBOT Soybeans (1st Contract, US\$/bu)

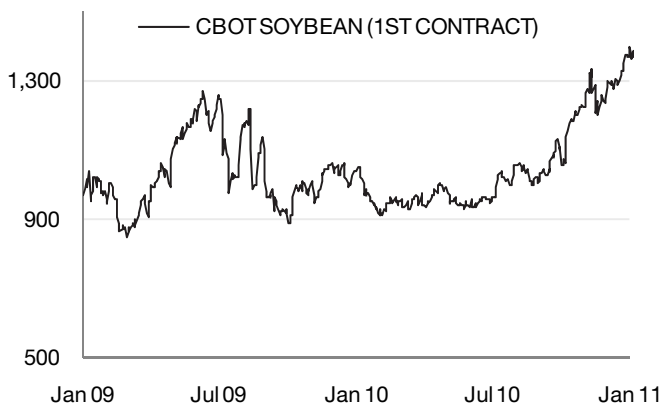


Figure 6: ICE Canola (1st Contract, C\$/t)

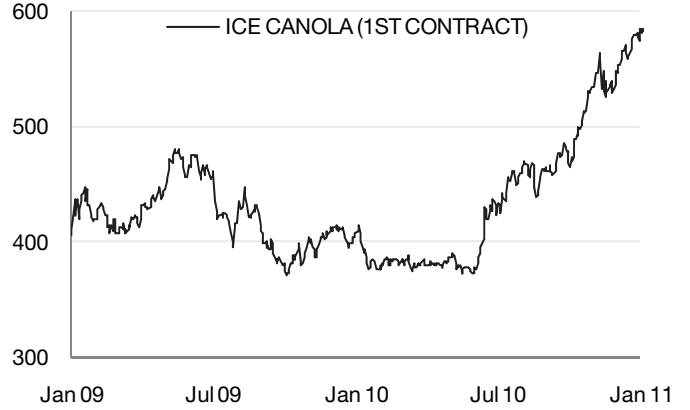


Figure 7: ICE Cotton (1st Contract, US\$/lb)

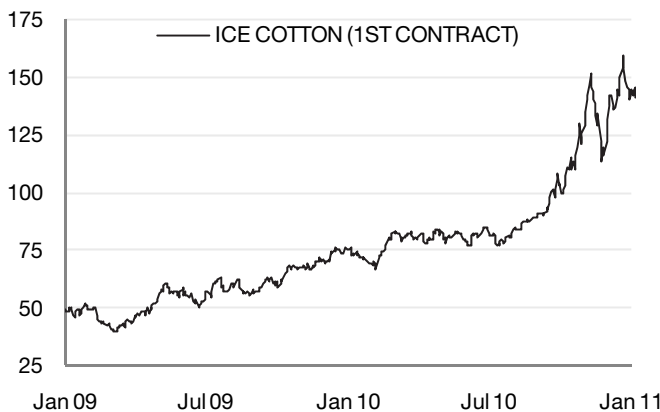


Figure 8: ICE Sugar (1st Contract, US\$/lb)





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