

## Grains and cotton bounce following friendly USDA projections...

**Markets:** New claims for unemployment insurance in the US rose by 2,000 to 484,000 in the latest week. Economists had tipped a fall in new claims to 465,000. Euro-zone industrial production fell by 0.1pct in June, far weaker than economist forecasts for a 0.7pct gain. US sharemarkets fell for the third straight session as investors continued to fret about a stalling economy. The Dow Jones was lower by 0.6pct with the S&P 500 down 0.5pct.

**Currencies:** The AUD fell 0.3pct to USD0.8961 at the London close while the USD index finished 0.4pct firmer to 82.6pts.

**Weather:** A low in the Tasman Sea is heading further east, allowing showers to clear and winds to ease over the southeast. A high is ridging in over NSW, QLD, SA and VIC, allowing a foggy morning to become a dry, warm day. A cold front is surging in over WA, producing widespread rain. ([www.weatherzone.com.au](http://www.weatherzone.com.au))

**Grains:** Chicago wheat futures (Sep 10) bounced 2.6pct (18 1/4¢) to USc713/bu overnight after the USDA slashed 15mt off global crop production forecasts (to 645mt) which was a 5mt bigger cut than expected by the trade. US wheat export forecasts were raised by 20% and US stocks were trimmed to 952m bu. At a global level, wheat ending stock forecasts were cut by more than expected to 175mt (down 12mt) and the stock to use ratio is now forecast at 26%. But despite the downward revision to production and stocks, global supplies are comfortably higher than the 07/08 stock level of 123mt (20% stock to use). Expectations that Ukraine may follow Russia's lead and ban wheat exports also supported prices.

CBOT corn (Sep10) rallied 2.7pct (10 3/4¢) to USc406.25/bu after global coarse grain supplies were cut by the USDA last night. European/FSU barley and corn ending stock estimates have been reduced because of production issues. In the US, the USDA raised crop production estimates because of forecast record yields. But offsetting this larger US corn crop has been a downward revision to carry-in supplies, a slight increase in domestic consumption (mainly for sweeteners and starch) and improved export opportunities. As a result the US corn ending stock estimate has been lowered to an extremely tight 1.312bm this month. This is the tightest level in 4 years.

**Oilseeds:** CBOT soybeans (Sep 10) ended 0.9pct (9 1/2¢) firmer at USc1026/bu, supported by strong wheat and corn markets and better than expected weekly US soybean export sales data. But capping the gains was the USDA's forecast for a record US soybean crop this year of 3.43bn bushels which is due to record yield forecasts. The bulls will take heart from the upward revision to soybean demand, largely because of increased Chinese needs. Strong demand, lower carry-in estimates, and declining canola production prospects has resulted in a reduction in oilseed ending stock estimates to 73.8mt, down from 77.3mt last month and 2009/10 stocks of 74.3mt. But within this soybean stocks are forecast to be a record 64.7mt. Canadian Canola (ICE Nov 10) chopped sideways before finishing 0.3pct weaker at C\$456.1/t.

**Cotton:** ICE cotton futures (Dec 10) rallied 3pct (253pts) to USc86.75/lb. US and global cotton stocks have been forecast at extremely tight levels, as increased consumption outweighs forecasts of larger crops. The US cotton crop is forecast at 18 1/2 million bales, up 200k bales from last month, but their export estimate was raised by 700k bales, resulting in stocks remaining extremely tight. The global cotton stocks-to-use ratio is forecast at 38% which is the smallest since 1994/95. These very tight stocks will continue to support international cotton prices. Pakistan's crop was cut by 7pct because of floods.

**Sugar:** NY raw sugar (Oct 10) rallied 3.9pct (71pts) USc18.97/lb while the March 11 contract rose 42pts to USc18.34/lb. Reports that the latest Russian beet weights are around 25% lower than last year supported prices, as did reports that Pakistan's sugar crop may fall 1/2 million tonnes due to floods.

**Crude Oil:** NYMEX WTI crude oil (Sep10) slumped 3pct to USD75.71/bl.

### Ag Commodity Markets: Daily Price Summary\*

		Sep 10	Dec 10	Dec 11
<b>US Wheat (CBOT)</b>	USc/bu	713 +2.6%	744 +2.6%	732 +3.5%
	AUD/t	293 +3.0%	309 +2.9%	317 +3.8%
<b>AU Wheat - East (ASX)</b>	AUD/t	286 0.0%	281 -1.7%	300 +0.2%
<b>AU Wheat - WA (ASX)</b>	AUD/t	290 0.0%	302 +0.2%	312 +0.2%
<b>US Soybeans (CBOT)</b>	USc/bu	1026 +0.9%	1029 +1.3%	1013 +0.8%
	AUD/t	422 +1.3%	426 +1.6%	439 +1.1%
<b>CA Canola (ICE)</b>	CAD/t	456 -0.3%	459 -0.2%	425 -0.1%
	AUD/t	493 +0.4%	499 +0.5%	475 +0.5%
<b>AU Canola (ASX)</b>	AUD/t	452 0.0%	513 -2.2%	516 -2.2%
<b>US Corn (CBOT)</b>	USc/bu	406 +2.7%	422 +2.6%	438 +1.6%
	AUD/t	179 +3.1%	188 +3.0%	203 +1.8%
<b>AU Barley (ASX)</b>	AUD/t	259 +2.8%	263 +0.4%	277 +0.2%
<b>AU Sorghum (ASX)</b>	AUD/t	238 0.0%	235 0.0%	235 0.0%
<b>US Raw Sugar (ICE)</b>	USc/lb	18.97 +3.9%	18.34 +2.3%	16.47 +0.4%
	AUD/t	468 +4.2%	461 +2.7%	423 +0.6%
<b>US Cotton (ICE)</b>	USc/lb	86.75 +3.0%	83.55 +3.3%	76.64 +1.8%
	AUD/bale	486 +3.4%	471 +3.6%	457 +2.1%
<b>AU Wool EMI (AWEX)</b>	AUD/kg	8.73	0.9%	12/8/10
<b>AU Cattle (EYCI)</b>	AUD/kg	3.62	-0.3%	12/8/10
<b>Crude Oil (WTI)</b>	USD/bl	75.71	-3.0%	12/8/10
	AUD/bl	84.49	-2.6%	12/8/10
<b>Commodity Indices</b>	S&P Agri & L'stock (USD)	1066	2.0%	12/8/10
	S&P Agri & L'stock (AUD)	1190	2.4%	12/8/10
	S&P All Commodities (USD)	4141	-1.4%	12/8/10
	S&P All Commodities (AUD)	4622	-1.0%	12/8/10
<b>Currencies</b>	AUD/USD	0.8961	-0.0031	-0.3%
	AUD/CAD	0.9344	-0.0063	-0.7%
	AUD/JPY	77.01	0.30	0.4%
	USD Index	82.6	0.3	0.4%
<b>Equity Markets</b>	ASX S&P200	4401	-55	-1.2%
	US DJI	10320	-59	-0.6%
	UK FTSE	5266	21	0.4%

\* Prices are the closing exchange traded futures prices.

Changes are daily. Last pricing date is 12/08/10, previous pricing date is 11/08/10

Sources: Bloomberg and CBA

\*\* AUD Equivalent Price



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

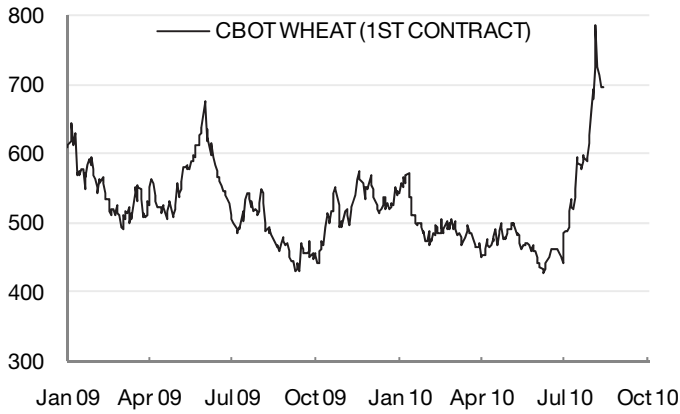


Figure 2: ASX NSW Wheat (Jan 11 Contract, A\$/t)

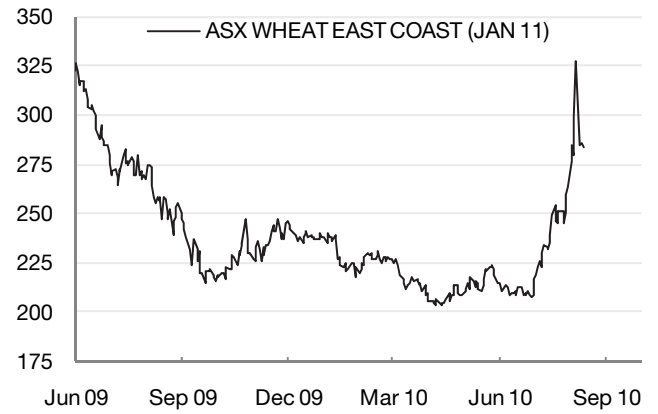


Figure 3: CBOT Corn (1<sup>st</sup> Contract, US\$/bu)

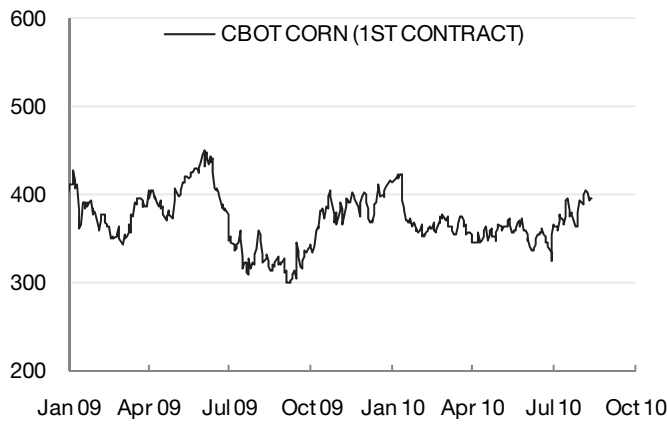


Figure 4: ASX Feed Barley (Jan 11 Contract, A\$/t)

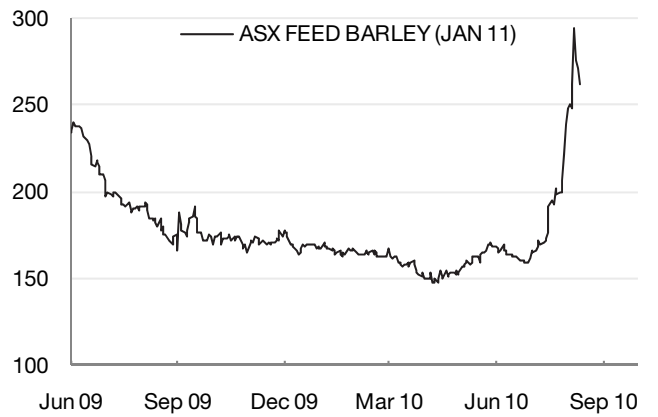


Figure 5: CBOT Soybeans (1<sup>st</sup> Contract, US\$/bu)

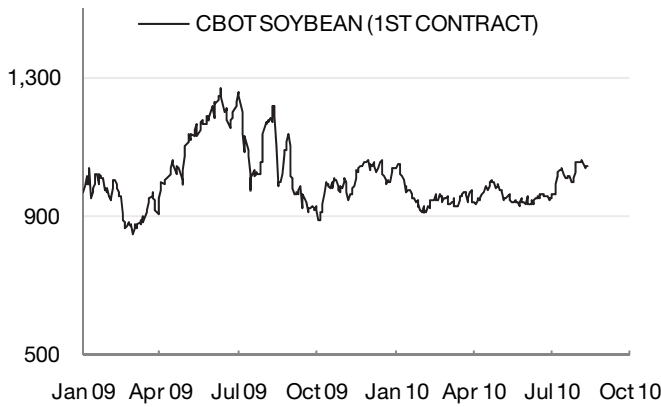


Figure 6: ICE Canola (1<sup>st</sup> Contract, C\$/t)

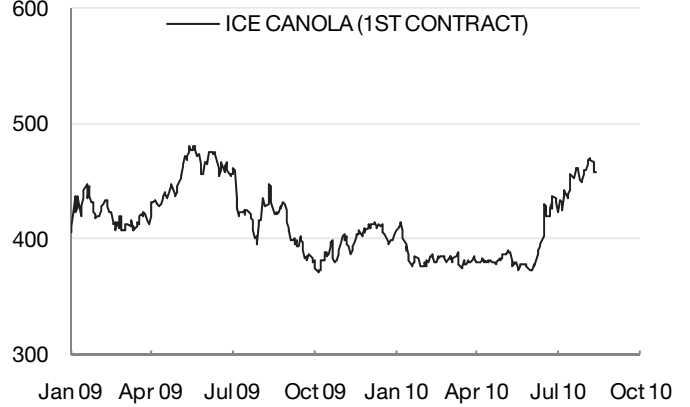
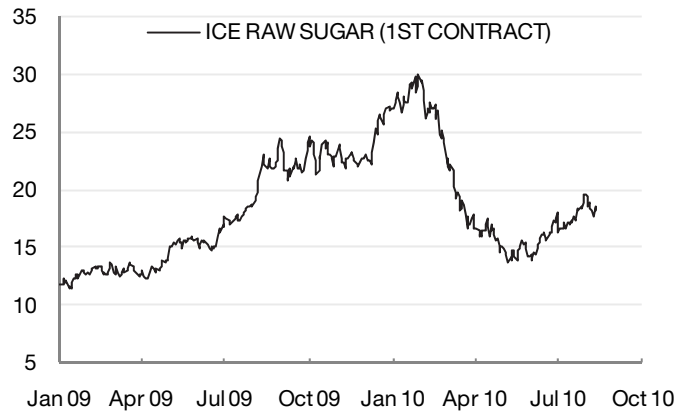


Figure 7: ICE Cotton (1<sup>st</sup> Contract, US\$/lb)



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





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