

Further declines in wheat prices while other markets rally...

Markets: US industrial production rose by 1.0pct in July, well ahead of expectations centred on a 0.5pct gain. US producer prices rose by 0.2pct in July, in line with expectations. But excluding food and energy, producer prices rose by 0.3pct, above expectations centred on a 0.1pct gain. But US housing data was weak, with starts up by 1.7pct to a 546,000 annual rate in July, falling short of forecasts centred on 560,000. BHP-Billiton has made a US\$39 billion unsolicited takeover bid for Potash Corp - the world's biggest fertiliser producer. US sharemarkets posted solid gains on Tuesday, but finished off their best levels as gains were trimmed in the last 30 minutes of trade. The Dow Jones finished higher by almost 1.0pct.

Currencies: The AUD rose 0.8pct to USD0.9063 overnight (London close) while the USD index fell 0.4pct to 82.2pts.

Weather: A trough and low are pushing through SA, generating some rain and isolated storms. Northerly winds are building ahead of the trough, leading to Severe Weather Warnings for VIC, NSW and ACT. A high is keeping skies mostly clear over QLD. (www.weatherzone.com.au)

Grains: Chicago wheat futures gave back early gains last night to finish lower. The Sep 10 contract fell 1.9pct (12¼¢) to US\$651/bu and the Dec 10 contract lost 1.8pct (12½¢) to US\$683.75/bu (~\$A280/t). The market appeared determined to pull back further from recent highs on thoughts that Russia's drought may soon be eased. But there was some bullish news last night. In the latest instalment of the Russian export saga, Reuters reported that Russia will now not honour existing export commitments; to say this situation is fluid and uncertain is an understatement. In its latest tender, Egypt bought 55kt of US hard wheat at US\$277.5/t (fob). Australian wheat was offered too expensive.

CBOT corn (Sep10) rose nearly 2pct (7½¢) to US\$414.75/bu, supported by weather related crop fears in the US Midwest and the weaker USD. Concern for crops in China's Yellow River Basin because of flooding also supported prices.

ASX NSW Jan 11 wheat slumped \$11 to \$276/t yesterday while the WA Jan 11 contract fell \$10 to \$291.5/t. Further losses could be incurred today because of further weakening in US markets and the strong Aussie dollar. But mounting crop concerns in the west could trim the losses for the WA wheat contract.

Oilseeds: CBOT soybeans (Sep 10) rose 1pct (11¼¢) to US\$1045.25/bu, which like corn was supported by evolving dryness across the US Midwest. Canadian Canola (ICE Nov 10) ended 0.2pct lower at C\$467.3/t pressured by the stronger CAD.

Cotton: ICE cotton futures (Dec 10) chopped sideways in a narrow range overnight before ending 0.2pct weaker at US\$83.86/lb. China's National Cotton Monitoring System latest projections point to tighter than expected market conditions, supporting strong prices.

Wool: Bloomberg reported that South Africa, a major wool producer and exporter, has been forced to halt raw wool export to China because of quarantine concerns relating to Rift Valley Fever. This should help support the demand for Australian wool exports to China.

Sugar: The New York raw sugar market still appears lost for direction. Last night the Oct 10 raw sugar contract jumped 2.3pct (44pts) to US\$19.38/lb after losing 2.5pct in the previous session. There was no real new news. Old crop stock tightness and damage to new crop supplies in Pakistan remains the main fundamental price support.

Crude Oil: NYMEX WTI crude oil (Sep10) rose 0.7pct to USD75.77/bl.

Ag Commodity Markets: Daily Price Summary*

		Sep 10	Dec 10	Dec 11
US Wheat (CBOT)	USc/bu	651 -1.9%	684 -1.8%	709 +0.5%
	AUD/t **	264 -2.7%	280 -2.6%	304 -0.3%
AU Wheat - East (ASX)	AUD/t	274 -1.8%	276 -3.8%	293 -3.1%
AU Wheat - WA (ASX)	AUD/t	288 0.0%	292 -3.3%	301 -3.2%
US Soybeans (CBOT)	USc/bu	1045 +1.1%	1042 +1.0%	1018 +0.5%
	AUD/t **	424 +0.3%	426 +0.2%	431 -0.3%
CA Canola (ICE)	CAD/t	467 -0.2%	471 -0.1%	433 -0.2%
	AUD/t **	502 +0.1%	511 +0.1%	480 +0.0%
AU Canola (ASX)	AUD/t	452 0.0%	513 0.0%	516 0.0%
US Corn (CBOT)	USc/bu	415 +1.8%	430 +1.7%	441 +1.0%
	AUD/t **	180 +1.0%	189 +0.9%	202 +0.3%
AU Barley (ASX)	AUD/t	267 +0.8%	270 -0.2%	284 -0.4%
AU Sorghum (ASX)	AUD/t	244 0.0%	241 0.0%	241 0.0%
US Raw Sugar (ICE)	USc/lb	19.38 +2.3%	18.78 +1.7%	16.84 +1.8%
	AUD/t **	473 +1.5%	467 +0.9%	428 +1.0%
US Cotton (ICE)	USc/lb	87.73 +0.3%	83.86 -0.2%	76.49 +0.4%
	AUD/bale **	486 -0.5%	468 -1.0%	451 -0.4%
AU Wool EMI (AWEX)	AUD/kg	8.73	0.0%	12/8/10
AU Cattle (EYCI)	AUD/kg	3.693	1.9%	17/8/10
Crude Oil (WTI)	USD/bl	75.77	0.7%	17/8/10
	AUD/bl **	83.60	-0.1%	17/8/10
Commodity Indices	S&P Agri & L'stock (USD)	1055	0.2%	17/8/10
	S&P Agri & L'stock (AUD)	1164	-0.6%	17/8/10
	S&P All Commodities (USD)	4147	1.0%	17/8/10
	S&P All Commodities (AUD)	4576	0.2%	17/8/10
Currencies	AUD/USD	0.9063	0.0074	0.8%
	AUD/CAD	0.9359	-0.0024	-0.3%
	AUD/JPY	77.50	0.78	1.0%
	USD Index	82.2	-0.3	-0.4%
Equity Markets	ASX S&P200	4477	39	0.9%
	US DJI	10406	104	1.0%
	UK FTSE	5351	74	1.4%

* Prices are the closing exchange traded futures prices.

Changes are daily. Last pricing date is 17/08/10, previous pricing date is 16/08/10

Sources: Bloomberg and CBA

** AUD Equivalent Price



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

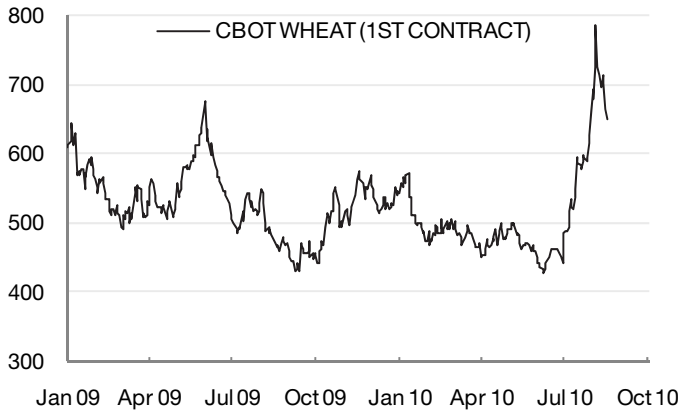


Figure 2: ASX NSW Wheat (Jan 11 Contract, A\$/t)

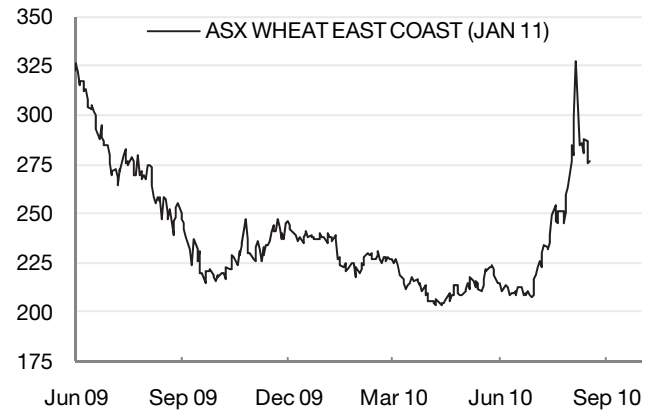


Figure 3: CBOT Corn (1st Contract, US\$/bu)

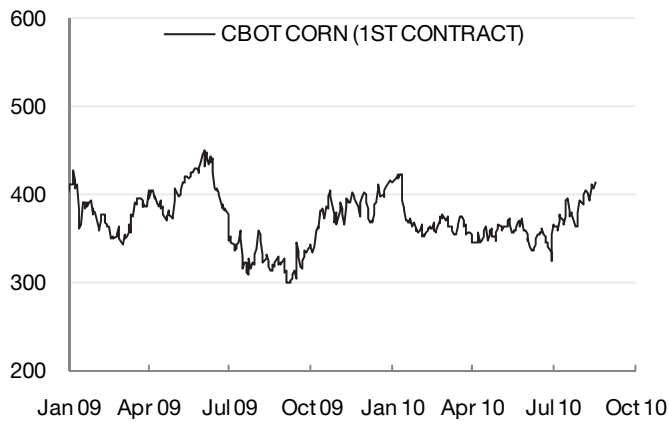


Figure 4: ASX Feed Barley (Jan 11 Contract, A\$/t)

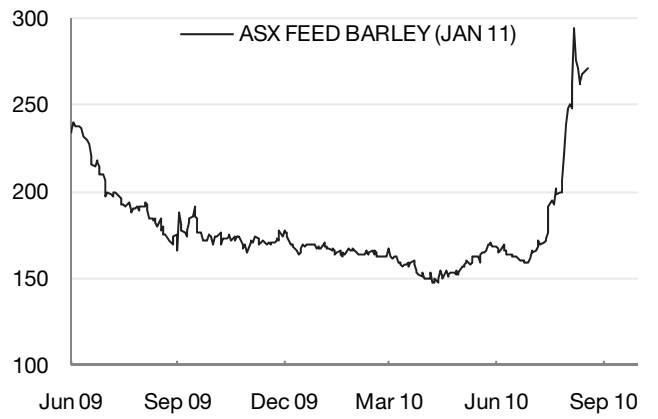


Figure 5: CBOT Soybeans (1st Contract, US\$/bu)

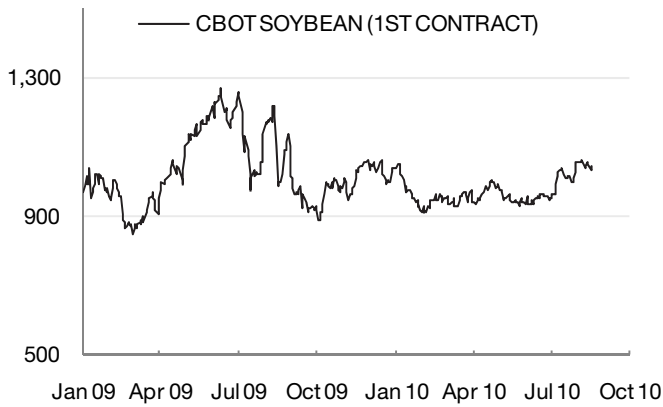


Figure 6: ICE Canola (1st Contract, C\$/t)

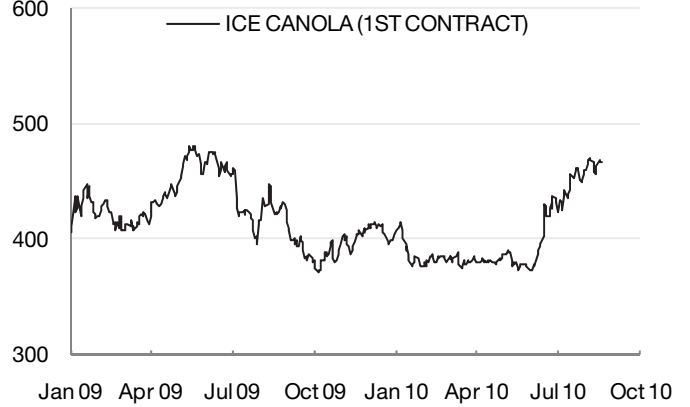


Figure 7: ICE Cotton (1st Contract, US\$/lb)



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





Research

Commodities		Telephone	Email Address
David Moore	Base & Precious Metals, Oil	+612 9118 1099	MoorDa@cba.com.au
Luke Mathews	Agri Commodities	+612 9118 1098	luke.mathews@cba.com.au
Lachlan Shaw	Iron Ore, Coal, Steel, LNG	+613 9675 8618	lachlan.shaw@cba.com.au

Economics		Telephone	Email Address
Michael Blythe	Chief Economist	+612 9118 1101	michael.blythe@cba.com.au
Michael Workman	Senior Economist	+612 9118 1019	michael.workman@cba.com.au
John Peters	Senior Economist	+612 9117 0112	john.peters@cba.com.au
James McIntyre	Economist	+612 9118 1100	james.mcintyre@cba.com.au

Fixed Income		Telephone	Email Address
Adam Donaldson	Head of Debt Research	+612 9118 1095	adam.donaldson@cba.com.au
Philip Brown	Fixed Income Quantitative Strategist	+612 9118 1090	philip.brown@cba.com.au
Alex Stanley	Associate Analyst, Fixed Income	+612 9118 1125	alex.stanley@cba.com.au
Michael Bors	Credit Research Analyst	+612 9118 1108	borsma@cba.com.au
Steve Shoobert	Credit Research Analyst	+612 9118 1096	steve.shoobert@cba.com.au
Winnie Chee	Securitised Product	+612 9118 1104	winnie.chee@cba.com.au
Tally Dewan	Quantitative Analyst	+612 9118 1105	tally.dewan@cba.com.au
Kevin Ward	Database Manager	+612 9118 1960	kevin.ward@cba.com.au

Foreign Exchange		Telephone	Email Address
Richard Grace	Chief Currency Strategist	+612 9117 0080	richard.grace@cba.com.au
Joseph Capurso	Currency Strategist	+612 9118 1106	joseph.capurso@cba.com.au

Delivery Channels & Publications		Telephone	Email Address
Monica Eley	Internet/Intranet	+612 9118 1097	monica.eley@cba.com.au
Ai-Quynh Mac	Information Services	+612 9118 1102	maca@cba.com.au

New Zealand		Telephone	Email Address
Chris Tennent-Brown	CBA NZ Economist	+64 9374 8819	chris.tennent-brown@asb.co.nz
Nick Tuffley	ASB Chief Economist	+64 9374 8604	nick.tuffley@asb.co.nz
Jane Turner	Economist	+64 9374 8185	jane.turner@asb.co.nz
Christina Leung	Economist	+64 9369 4421	christina.leung@asb.co.nz

Sales

Institutional	Telephone	Equities	Telephone
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