

## Sugar: Hi-Pol or Bipolar?

- Markets:** The ECB cut its refi rate by another 25bps to 1.0% last night and ECB president Draghi also announced another set of non-standard measures to ease liquidity conditions for banks. The ECB published its updated GDP growth forecasts for 2012, with growth lowered from 1.3% to 0.3%. US jobless claims fell 23,000 to 381,000 in the past week - a nine month low. And US wholesale inventories rose 1.6% in October - the largest rise since May 2011. European shares fell to a one week low as investors worried France and Germany's plans to overhaul the euro zone's fiscal rules would not be backed at EU summit this weekend. US shares also fell.
- Currencies:** The AUD ended fell 1.1% to USD1.0179 overnight (London close) while the USD index rose 0.4% to 78.8pts.
- Weather:** A broad region of lower pressure will bring patchy rain and isolated storms through inland NSW and southern QLD. A low pressure trough will generate showers and isolated storms in SA, VIC and across the NT. Another trough in the west will produce a few stormy showers in WA. ([www.weatherzone.com.au](http://www.weatherzone.com.au))
- Grains:** US grain markets were mixed overnight.
  - CBOT wheat (Mar 12) ended 0.6% (3 ½ ¢) weaker at US\$597/bu last night, however prices traded much lower for most of the session. Iraq purchased 400 thousand tonnes of Canadian and Russian wheat last night in an original tender for 500 thousand tonnes according to Reuters. And Tunisia purchased 75 thousand tonnes of soft wheat after originally tendering for nearly double that amount. The USDA's export sales report showed US wheat export sales 427 thousand tonnes in the week ended 1 Dec, below traded estimates of 450-650 thousand tonnes. Tonight's USDA WASDE report and the EU summit will provide price direction.
  - CBOT corn (Mar 12) recovered early losses to close 7 ½ cents (1.3%) firmer at US\$600.25/bu overnight. US corn export sales in the week ended 1 Dec came in at 708 thousand tonnes, well above trade guesses for 350-450 thousand tonnes and well above the previous week's result of 352 thousand tonnes.
  - ASX NSW wheat (Jan 12) dropped another \$5 to \$205/t yesterday, while the Mar 12 contract fell to \$207/t, both fresh contract lows. WA wheat values and feed barley prices also finished lower for the session; with Jan 12 feed barley now quoted at \$174/t. East coast grain prices are positioned very favourably for consumers. Rain and storms are spreading through SA and western Vic this morning, with further widespread east coast rainfall forecast for the next three days.
- Oilseeds:** CBOT soybeans (Jan 12) ended slightly firmer at US\$1132.5/bu last night. A sharp improvement in US soybean export sales in the latest week (to 796 thousand tonnes from 490 thousand the week prior) supported the prices gains, as did reports from Brazilian government agency (CONAB) that Brazil's 2011/12 soybean production will fall to 71.3 million tonnes. This is below CONAB's previous estimate of 71.5-73.0 million tonnes and last year's record crop of 75.3 million. The USDA's existing 2011/12 Brazilian soybean crop forecast is 75 million tonnes, so the market will be closely watching the WASDE report tonight for a possible downgrade. Canadian canola (Jan 11) rallied C\$3.7 to C\$510.6/t, the 5<sup>th</sup> straight gain.
- Cotton:** NY cotton (Mar 12) fell 26pts (0.3%) to US\$92.05/lb last night amid mediocre volumes. A disappointing US cotton export sales report helped push prices down, with net-cancellations of 34 thousand bales of old crop supplies. The USDA's WASDE report will be released tonight.
- Sugar:** Global sugar markets continue to swing erratically. Last night the NY raw sugar market (Mar 12 contract) surged 4.7% (108pts) to US\$24.13/lb, however this huge rally was insufficient to recoup the 113pts fall observed in the previous session. Rationalising such large moves is difficult. CONAB cut its estimate of 2011/12 Brazilian sugarcane output by 3% to 571.5 million tonnes to be 8.5% smaller than the year earlier. Total sugar production was revised 0.5% lower to forecast to 36.9 million tonnes, down 3.4% yoy.
- Crude Oil:** NYMEX crude oil (Jan 12) fell 2.1% to USD98.36/bl.

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

US Wheat (CBOT)	Mar 12	Dec 12	Dec 13
USc/bu	597 -0.6%	674 -0.4%	701 -0.2%
AUDt **	218 +0.5%	251 +0.6%	270 +0.7%
AU Wheat - East (ASX)	Jan 12	Mar 12	Jan 13
AUD/t	205 -2.4%	207 -2.1%	233 -1.2%
AU Wheat - WA (ASX)	Jan 12	Mar 12	Jan 13
AUD/t	216 -1.8%	214 -0.7%	237 -0.6%
US Soybeans (CBOT)	Jan 12	Nov 12	Nov 13
USc/bu	1133 +0.1%	1157 +0.1%	1156 +0.1%
AUDt **	410 +1.2%	428 +1.1%	437 +1.1%
CA Canola (ICE)	Jan 12	Nov 12	Nov 13
CADt	511 +0.7%	495 +0.9%	505 +1.1%
AUDt **	492 +0.6%	485 +0.7%	505 +0.9%
AU Canola (ASX)	Jan 12	Mar 12	Jan 13
AUD/t	500 0.0%	475 0.0%	475 0.0%
US Corn (CBOT)	Mar 12	Dec 12	Dec 13
USc/bu	600 +1.3%	561 +1.8%	561 +1.5%
AUDt **	235 +2.4%	224 +2.8%	231 +2.5%
AU Barley (ASX)	Jan 12	Mar 12	Jan 13
AUD/t	174 -2.0%	177 -0.8%	194 -0.8%
AU Sorghum (ASX)	Jan 12	May 12	May 13
AUD/t	210 0.0%	186 +0.3%	186 +0.3%
US Raw Sugar (ICE)	Mar 12	Oct 12	Oct 13
USc/lb	24.13 +4.7%	23.40 +3.6%	23.44 +3.4%
AUDt **	526 +5.8%	520 +4.7%	532 +4.4%
US Cotton (ICE)	Mar 12	Jul 12	Jul 13
USc/lb	92.05 -0.3%	91.68 -0.4%	90.00 -0.2%
AUD/bale **	457 +0.8%	460 +0.7%	463 +0.8%
AU Wool EMI (AWEX)	Latest	% chg	Last Pricing
AUD/kg	11.68	-0.6%	8/12/11
AU Cattle (EYCI)	Latest	% chg	Last Pricing
AUD/kg	4.11	0.3%	8/12/11
Crude Oil (WTI)	Latest	% chg	Last Pricing
USD/bl	98.36	-2.1%	8/12/11
AUD/bl **	96.63	-1.1%	8/12/11
Commodity Indices	Latest	% chg	Last Pricing
S&P Agri & L'stock (USD)	1142	0.0%	7/12/11
S&P Agri & L'stock (AUD)	1109	0.0%	7/12/11
S&P All Commodities (USD)	4956	0.0%	7/12/11
S&P All Commodities (AUD)	4816	0.0%	7/12/11
Currencies	Latest	pts chg	% chg
AUD/USD	1.0179	-0.0111	-1.1%
AUD/CAD	1.04	0.0017	0.2%
AUD/JPY	79.12	-0.77	-1.0%
USD Index	78.8	0.3	0.4%
Equity Markets	Latest	pts chg	% chg
ASX S&P200	4281	-12	-0.3%
US DJI	12057	-139	-1.1%
UK FTSE	5484	-63	-1.1%

\* Prices are the closing exchange traded futures prices.

Changes are daily. Last pricing date is 08/12/11, previous pricing date is 07/12/11

Sources: Bloomberg and CBA

\*\* AUD Equivalent Price



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

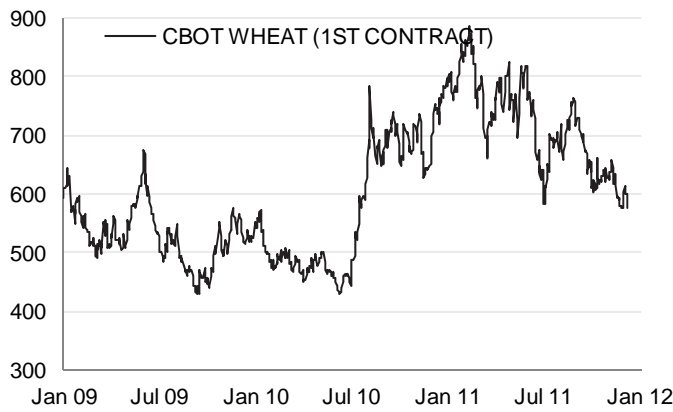


Figure 2: ASX NSW Wheat (Jan 12 Contract, A\$/t)

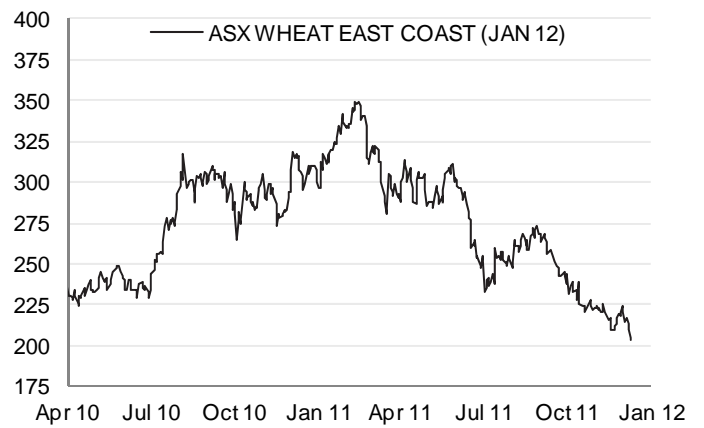


Figure 3: CBOT Corn (1<sup>st</sup> Contract, US\$/bu)

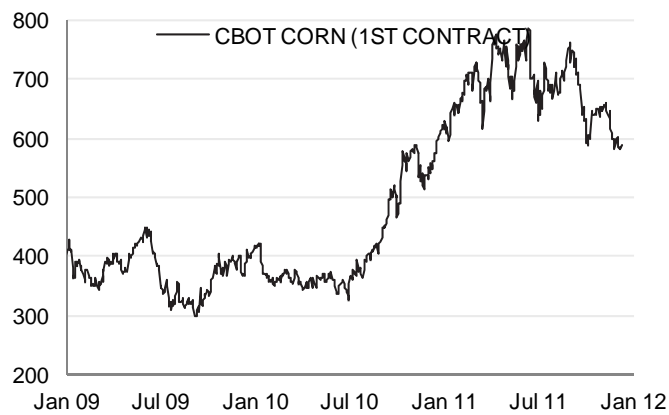


Figure 4: ASX Feed Barley (Jan 12 Contract, A\$/t)



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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