

## Grains slump but cotton jumps because of improved demand...

- **Markets:** US jobless claims fell by 10,000 to a seasonally adjusted 390,000 in the past week - marking the lowest reading in almost 8 months. The US trade deficit unexpectedly narrowed by 4% to \$43.1 billion in September. A 1.4% surge in exports to a record \$180.36 billion drove the result. The Bank of England left interest rates unchanged at 0.5% at its November meeting. Yesterday's Chinese trade data signalled a slowdown in Chinese exports in October, influence by slowing European demand. However Chinese imports remained resilient for the month, suggesting that the economy remains on track for a soft landing. European shares fell on Thursday in a volatile session. Despite signs of stabilising, Italian bond yields remained high and kept investors nervous. In Greece, Lucas Papademos, a former vice president of the European Central Bank, was named the new Prime Minister. US shares rallied on Thursday as the better than expected US economic data supported equities.
- **Currencies:** The AUD fell 0.4% to USD1.0158 overnight (London close) while the USD index fell 0.3% to 77.7pts.
- **Weather:** A broad trough is triggering areas of rain and storms from the northwest tropics to northeast NSW. Cooler southwest winds are blowing into VIC and TAS in the wake of a front. A high is clearing most of the country's southeast while another front triggers a few showers over WA.
- **Grains:** US grain markets slumped overnight, led lower by wheat.
  - CBOT wheat (Dec 11) slumped 3.6% (23 ¢) to USc620/bu (~A\$225/t) last night with more modest losses out the curve. US wheat remains too expensive on the global market, a fact confirmed once again by the latest Egyptian tender results. Egypt bought 240 thousand tonnes of Ukrainian and Russian wheat last night, valued at ~US\$265/t (c&f). US wheat was not even offered. For the week ended 3 Nov, total US wheat export sales totalled 298.4 thousand tonnes, down 20 thousand from the week prior and below expectations of 350-450 thousand tonnes. Total sales for the past four weeks are nearly 50% lower than a year earlier.
  - CBOT corn (Dec 11) fell 1.6% (10½ ¢) to USc645.5/bu overnight, weighed down by terrible US corn export sales and slumping wheat values. In the week ended 3 Nov, total sales were just 252 thousand tonnes, well below expectations of 550-750 thousand. But the USDA's confirmation that US corn supply remains very tight trimmed the losses.
  - ASX NSW wheat (Jan 12) fell more than \$5 to \$220/t yesterday while WA Jan 12 wheat was quoted lower for the day at \$233/t. ASX feed grain prices were also quoted lower for the session. The complex was under pressure because of the large global supply of wheat, the Italian debt uncertainty and the bearish tone in US grain markets. ASX feed grain prices fell most significantly because of reports of reduced wheat quality in the current harvest and excellent sorghum production prospects.
- **Oilseeds:** CBOT soybeans (Jan 11) fell 1.5% (18¢) to USc1167.5/bu, the lowest close in a month and only marginally above the weakest value in 12 months. Chinese customs data showed soy imports were down more than 7% in October and the lowest since March. Canadian canola (Jan 11) slumped C\$9 to C\$515.5/t, the weakest close since December 2010.
- **Cotton:** NY cotton (Dec 11) surged 232pts (2.4%) to USc99.5/lb on strong volumes last night. A huge US cotton export sale result – 1,023 thousand bales in the week ended 3 Nov, the best weekly result since 2008 – pushed prices higher. This is the best indication yet that prices could form a base.
- **Sugar:** NY raw sugar (Mar 12) traded higher for most of the session last night but prices ended virtually unchanged at USc25.39/lb. Unica released their bi-monthly crush report last night, showing that nearly 30% of mills had finished crushing by the end of October. Sugar production for the period was 1.47 million tonnes, down 23.5% yoy, while total sugar output for the season (from April) is 29.2 million tonnes, down 4.3% yoy.
- **Crude Oil:** NYMEX crude oil (Dec 11) rose 2.1% to USD97.71/bl.

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

|                       |                           | Dec 11      | Mar 12      | Dec 12       |
|-----------------------|---------------------------|-------------|-------------|--------------|
| US Wheat (CBOT)       | USc/bu                    | 620 -3.6%   | 647 -2.3%   | 728 -1.4%    |
|                       | AUDt **                   | 225 -3.2%   | 237 -2.0%   | 272 -1.2%    |
| AU Wheat - East (ASX) |                           | Jan 12      | Mar 12      | Jan 13       |
|                       | AUD/t                     | 220 -2.4%   | 228 -0.2%   | 253 -1.0%    |
| AU Wheat - WA (ASX)   |                           | Jan 12      | Mar 12      | Jan 13       |
|                       | AUD/t                     | 233 -1.7%   | 235 -1.7%   | 257 -1.5%    |
| US Soybeans (CBOT)    | USc/bu                    | 1168 -1.5%  | 1186 -1.6%  | 1175 -0.6%   |
|                       | AUDt **                   | 425 -1.2%   | 443 -1.3%   | 453 -0.5%    |
| CA Canola (ICE)       |                           | Jan 12      | Mar 12      | Nov 13       |
|                       | CAD/t                     | 516 -1.7%   | 522 -1.6%   | 516 -1.6%    |
|                       | AUDt **                   | 502 -1.3%   | 511 -1.3%   | 528 -1.3%    |
| AU Canola (ASX)       |                           | Nov 11      | Jan 12      | Jan 13       |
|                       | AUD/t                     | 560 0.0%    | 550 0.0%    | 550 0.0%     |
| US Corn (CBOT)        | USc/bu                    | 646 -1.6%   | 655 -1.5%   | 583 -2.3%    |
|                       | AUDt **                   | 251 -1.2%   | 257 -1.2%   | 233 -2.1%    |
| AU Barley (ASX)       |                           | Jan 12      | Mar 12      | Jan 13       |
|                       | AUD/t                     | 181 -3.5%   | 183 -3.4%   | 200 -3.2%    |
| AU Sorghum (ASX)      |                           | Nov 11      | May 12      | May 13       |
|                       | AUD/t                     | 209 0.0%    | 215 -0.9%   | 219 -0.9%    |
| US Raw Sugar (ICE)    |                           | Mar 12      | Oct 12      | Oct 13       |
|                       | USc/lb                    | 25.39 +0.1% | 24.08 +0.2% | 23.96 +0.2%  |
|                       | AUDt **                   | 557 +0.5%   | 536 +0.5%   | 545 +0.4%    |
| US Cotton (ICE)       |                           | Dec 11      | Jul 12      | Jul 13       |
|                       | USc/lb                    | 99.50 +2.4% | 98.83 +0.9% | 97.98 +0.0%  |
|                       | AUD/bale **               | 491 +2.8%   | 498 +1.2%   | 506 +0.2%    |
| AU Wool EMI (AWEX)    |                           | Latest      | % chg       | Last Pricing |
|                       | AUD/kg                    | 12.19       | -0.4%       | 10/11/11     |
| AU Cattle (EYCI)      |                           | Latest      | % chg       | Last Pricing |
|                       | AUD/kg                    | 4.05        | 0.2%        | 10/11/11     |
| Crude Oil (WTI)       |                           | Latest      | % chg       | Last Pricing |
|                       | USD/bl                    | 97.72       | 2.1%        | 10/11/11     |
|                       | AUD/bl **                 | 96.20       | 2.4%        | 10/11/11     |
| Commodity Indices     |                           | Latest      | % chg       | Last Pricing |
|                       | S&P Agri & L'stock (USD)  | 1225        | 0.0%        | 9/11/11      |
|                       | S&P Agri & L'stock (AUD)  | 1202        | 0.0%        | 9/11/11      |
|                       | S&P All Commodities (USD) | 4987        | 0.0%        | 9/11/11      |
|                       | S&P All Commodities (AUD) | 4892        | 0.0%        | 9/11/11      |
| Currencies            |                           | Latest      | pts chg     | % chg        |
|                       | AUD/USD                   | 1.0158      | -0.0037     | -0.4%        |
|                       | AUD/CAD                   | 1.033       | -0.0042     | -0.4%        |
|                       | AUD/JPY                   | 78.84       | -0.38       | -0.5%        |
|                       | USD Index                 | 77.6        | -0.3        | -0.4%        |
| Equity Markets        |                           | Latest      | pts chg     | % chg        |
|                       | ASX S&P200                | 4244        | -102        | -2.3%        |
|                       | US DJI                    | 11894       | 113         | 1.0%         |
|                       | UK FTSE                   | 5445        | -16         | -0.3%        |

\* Prices are the closing exchange traded futures prices.

Changes are daily. Last pricing date is 10/11/11, previous pricing date is 09/11/11

Sources: Bloomberg and CBA

\*\* AUD Equivalent Price



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

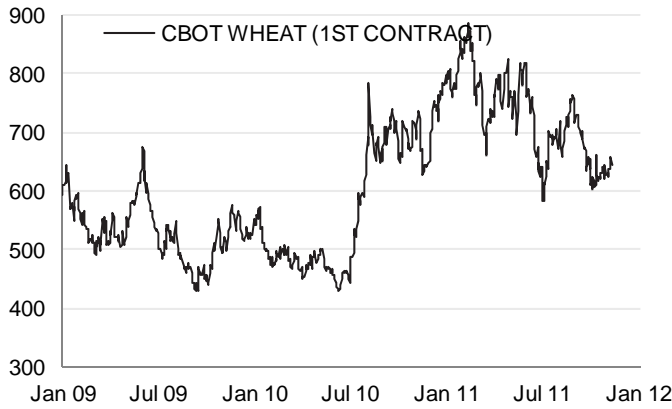


Figure 2: ASX NSW Wheat (Jan 12 Contract, A\$/t)

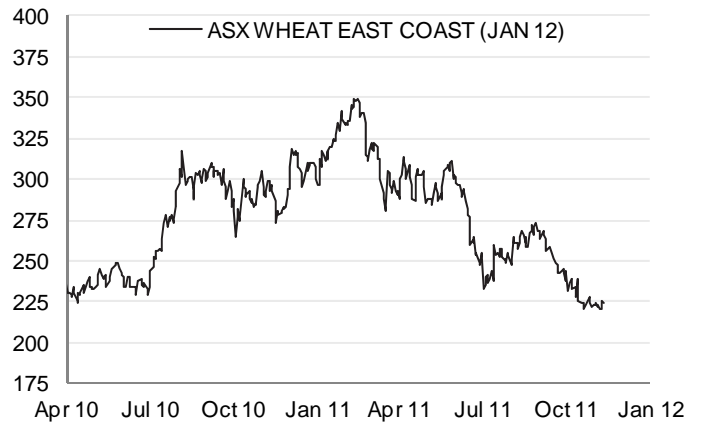


Figure 3: CBOT Corn (1<sup>st</sup> Contract, US\$/bu)



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



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

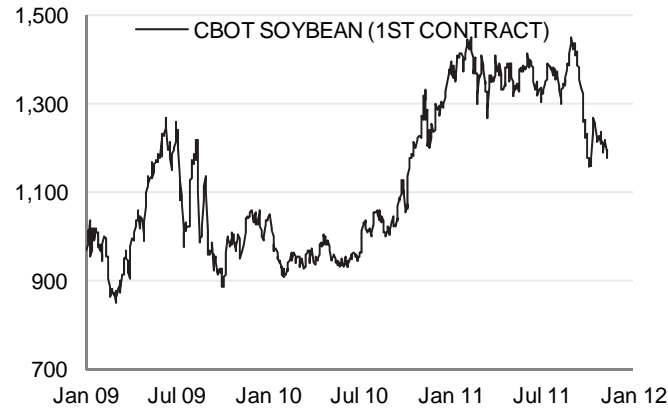


Figure 6: ICE Canola (1<sup>st</sup> Contract, C\$/t)



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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