

## Grain markets rally strongly...

- Markets:** The US NAHB housing market index (which measures homebuilder sentiment) rose to a 19 month high December, however from a historical perspective, sentiment in the US housing sector remains weak. European shares were mixed on Monday. Despite no further downgrade of sovereign credit ratings, investors remained cautious. EU finance ministers joined a conference call to discuss swift implementation of the €200 billion expansion of IMF resources as well as initial discussions on the "fiscal compact" agreed at the EU summit a couple of weeks ago. But there were no concrete announcements made during the European session. US shares fell on Monday in light volumes.
- Currencies:** The AUD dipped 0.3% to USD0.9926 overnight (London close) while the USD index edged fractionally higher to 80.3pts.
- Weather:** A low pressure trough in the east is causing patchy rain and storms in northern NSW, western QLD and the NT. A high is sending cooler, but drier winds through VIC, TAS and SA. A developing monsoon trough is bringing an increase in rain and storms to the northern tropics.
- Grains:** US grain markets rallied higher overnight.
  - CBOT wheat (Mar 12) rallied 2.7% (16¢) to US\$599.75/bu last night on the back of speculative short covering and strong gains in the nearby corn market. Kansas wheat futures rallied 3% (the strongest gains since October) to break through resistance levels. Further gains from here cannot be ruled out. European wheat futures also rallied strongly and are now 7% above their November lows. The USDA reported US wheat export inspections in the week ended 15<sup>th</sup> Dec of 16.3 million bushels, down 3% for the week, but still above the very poor results (<15mbu) recorded during November.
  - CBOT corn (Mar 12) surged 3.1% (18¢) to US\$601/bu overnight due to mounting crop concerns in South America. Some much needed rainfall may fall this week, but the totals may be insufficient to allay market concerns. In addition, Mexico's corn crop (the 4<sup>th</sup> largest producer) may be smaller than expected because of the worst drought on record. Output is likely to be between 22-23 million tonnes according to the Mexican government, lower than the original estimate of 24.5 million. US corn export inspections last week came in at 44 million bushels, up 19% from a week earlier and nearly 40% higher YOY. But still, YTD corn export inspections are running 6% behind last year's pace. China's State Grain Administration has confirmed that it is stockpiling corn in a bid to shore up domestic prices and rebuild depleted domestic reserves.
  - ASX NSW wheat (Jan 12) traded around \$200/t again yesterday, little changed from previous values. The Mar 12 contract also traded at \$200/t. Local grain markets continue to give the impression that they are trying to form a bottom after falling \$20/t in the first half of the month. The sharp rise in global grain markets overnight and local rain-induced harvest delays will assist in pushing the local market higher today.
- Oilseeds:** CBOT soybeans (Jan 12) rose 7 cents to US\$1137/bu last night with similar gains across the curve. US soybean export inspections last week rose 4.4% to 31.3 million bushels, but the result was still down 45% from the same period last year and YTD inspections are 34% slow this year than in 2010. Canadian canola (Jan 11) rose C\$1.4 to C\$507.7/t.
- Cotton:** NY cotton (Mar 12) rose 80pts (0.9%) to US\$87.09/lb last night amid thin volumes. Bloomberg reported that Pakistan is planning on buying up to 1 million bales from domestic growers in a bid to support prices.
- Sugar:** NY raw sugar (Mar 12) traded lower for most of the session overnight before closing faintly firmer at US\$23.09/lb. Macquarie Bank analysts have reported that sugar prices will remain under pressure in H1'2012 because of exports from the EU, Central America, India and Thailand. We agree. In other news, Indian sugar mills are reportedly making a financial loss this season according to local media, stuck between high cane prices and rapidly falling sugar prices.
- Crude Oil:** NYMEX crude oil (Jan 12) ended slightly firmer at USD93.69/b.

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

		Mar 12	Dec 12	Dec 13
<b>US Wheat (CBOT)</b>	US\$/bu	600 +2.7%	676 +2.1%	711 +2.1%
	AUD/t **	224 +3.0%	256 +2.3%	275 +2.3%
<b>AU Wheat - East (ASX)</b>		<b>Jan 12</b>	<b>Mar 12</b>	<b>Jan 13</b>
	AUD/t	199 -0.5%	204 +0.2%	233 +0.4%
<b>AU Wheat - WA (ASX)</b>		<b>Jan 12</b>	<b>Mar 12</b>	<b>Jan 13</b>
	AUD/t	219 -0.5%	219 -0.5%	242 -0.4%
<b>US Soybeans (CBOT)</b>	US\$/bu	1137 +0.6%	1158 +0.7%	1155 +0.6%
	AUD/t **	422 +0.9%	439 +0.9%	447 +0.8%
<b>CA Canola (ICE)</b>		<b>Jan 12</b>	<b>Nov 12</b>	<b>Nov 13</b>
	CAD/t	508 +0.3%	492 +0.1%	496 +0.1%
	AUD/t **	495 +0.9%	489 +0.7%	501 +0.7%
<b>AU Canola (ASX)</b>		<b>Jan 12</b>	<b>Mar 12</b>	<b>Jan 13</b>
	AUD/t	500 0.0%	475 0.0%	475 0.0%
<b>US Corn (CBOT)</b>	US\$/bu	601 +3.1%	559 +2.0%	552 +0.6%
	AUD/t **	240 +3.3%	227 +2.3%	229 +0.9%
<b>AU Barley (ASX)</b>		<b>Jan 12</b>	<b>Mar 12</b>	<b>Jan 13</b>
	AUD/t	174 -1.1%	178 +0.3%	195 +0.3%
<b>AU Sorghum (ASX)</b>		<b>Jan 12</b>	<b>May 12</b>	<b>May 13</b>
	AUD/t	210 0.0%	186 0.0%	186 0.0%
<b>US Raw Sugar (ICE)</b>	US\$/lb	23.09 +0.0%	22.79 +0.4%	22.97 -0.1%
	AUD/t **	516 +0.3%	519 +0.6%	534 +0.1%
<b>US Cotton (ICE)</b>	US\$/lb	87.09 +0.9%	86.60 +1.0%	86.55 +1.8%
	AUD/bale **	442 +1.2%	444 +1.2%	456 +2.0%
<b>AU Wool EMI (AWEX)</b>	<b>Latest</b>	<b>% chg</b>	<b>Last Pricing</b>	
	AUD/kg	11.89	0.0%	15/12/11
<b>AU Cattle (EYCI)</b>	<b>Latest</b>	<b>% chg</b>	<b>Last Pricing</b>	
	AUD/kg	4.21	1.8%	19/12/11
<b>Crude Oil (WTI)</b>		<b>Latest</b>	<b>% chg</b>	<b>Last Pricing</b>
	USD/bl	93.69	0.2%	19/12/11
	AUD/bl **	94.39	0.4%	19/12/11
<b>Commodity Indices</b>	<b>Latest</b>	<b>% chg</b>	<b>Last Pricing</b>	
	S&P Agri & L'stock (USD)	1115	0.0%	16/12/11
	S&P Agri & L'stock (AUD)	1121	0.0%	16/12/11
	S&P All Commodities (USD)	4681	0.0%	16/12/11
	S&P All Commodities (AUD)	4704	0.0%	16/12/11
<b>Currencies</b>	<b>Latest</b>	<b>pts chg</b>	<b>% chg</b>	
	AUD/USD	0.9926	-0.0025	-0.3%
	AUD/CAD	1.0279	-0.0067	-0.6%
	AUD/JPY	77.37	-0.02	0.0%
	USD Index	80.3	0.1	0.1%
<b>Equity Markets</b>	<b>Latest</b>	<b>pts chg</b>	<b>% chg</b>	
	ASX S&P200	4060	-99	-2.4%
	US DJI	11751	-116	-1.0%
	UK FTSE	5365	-22	-0.4%

\* Prices are the closing exchange traded futures prices.

Changes are daily. Last pricing date is 19/12/11, previous pricing date is 16/12/11

Sources: Bloomberg and CBA

\*\* AUD Equivalent Price



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

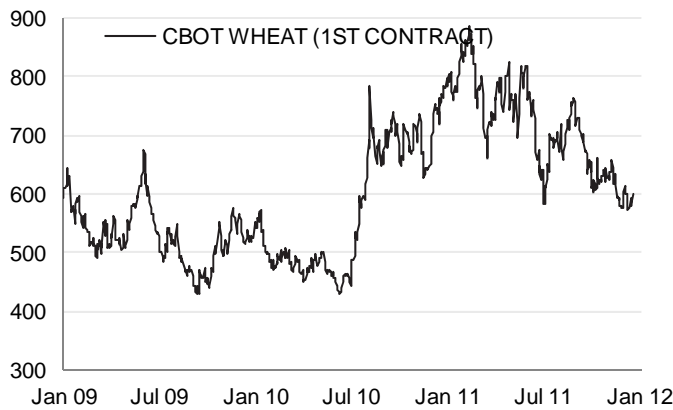


Figure 2: ASX NSW Wheat (Jan 12 Contract, A\$/t)

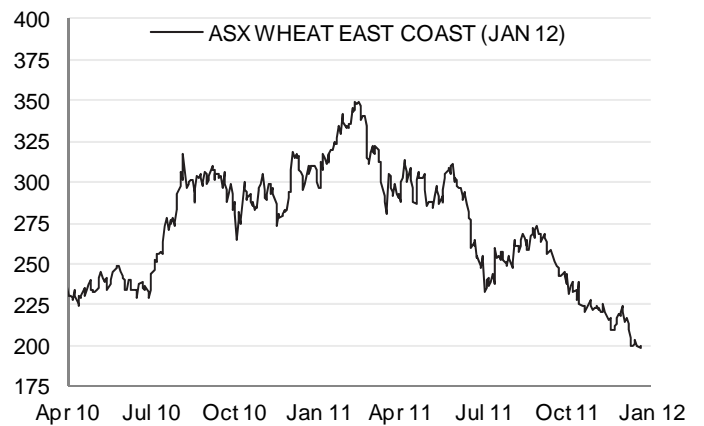


Figure 3: CBOT Corn (1<sup>st</sup> Contract, US\$/bu)

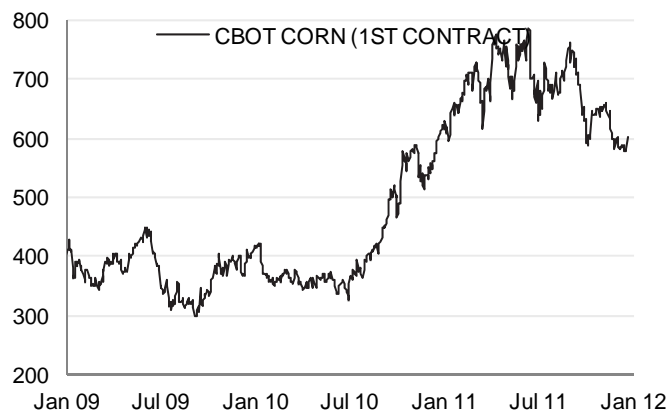


Figure 4: ASX Feed Barley (Jan 12 Contract, A\$/t)

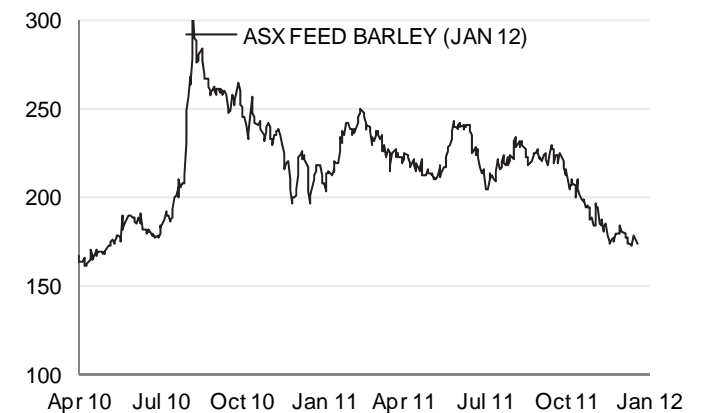


Figure 5: CBOT Soybeans (1<sup>st</sup> Contract, US\$/bu)

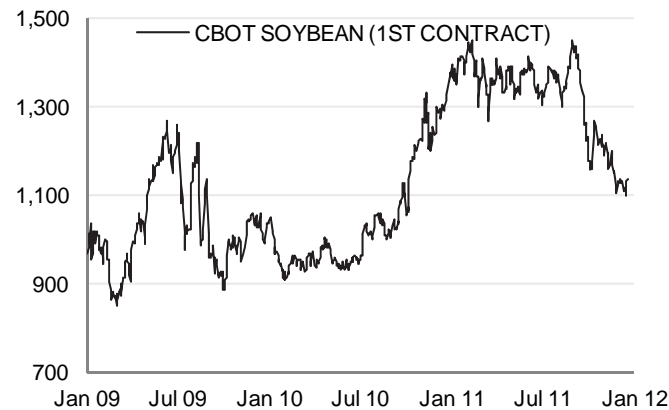


Figure 6: ICE Canola (1<sup>st</sup> Contract, C\$/t)



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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