

## Risk off. Cotton and sugar prices slump. AUD nears parity...

- Markets:** The US Federal Reserve Open Market Committee (FOMC) has announced new measures to stimulate the economy. In what is termed a "twist", the FOMC intends to purchase by the end of June 2012, \$400 billion of securities of maturities in a range of 6 years to 30 years and to sell an equal amount of Treasury securities of maturities of 3 years or less. The FOMC also said that it will also reinvest proceeds from maturing mortgage and agency bonds back into the mortgage market. The FOMC also said "there are significant downside risks to the economic outlook". The FOMC voted 7-3 in favour of the decision. US existing home sales rose by 7.7% to a 5.03 million annual rate in August, above forecasts targeting a 4.71m result. European shares fell again on Wednesday on global growth concerns ahead of the Fed decision. US sharemarkets fell sharply.
- Currencies:** The AUD fell 0.7% to USD1.0205 overnight (London close) while the USD index rallied 1% to 77.8pts. The AUD this morning has slumped to USD 1.006.
- Weather:** Cold and gusty southwest winds in the wake of a front are generating scattered showers across southern WA. The front is slipping into the Bight, allowing warm northerly winds to filter into SA and VIC ahead of it. A high is keeping eastern states clear, leading to a cool night. ([www.weatherzone.com.au](http://www.weatherzone.com.au))
- Grains:** US grain markets finished lower overnight.

  - CBOT wheat (Dec 11) ended 8 cents (1.2%) weaker at USc666.75/bu (~A\$242/t) amid weak outside markets and currently comfortable global wheat supplies. Bloomberg reported that Egypt will tender for at least 60 thousand tonnes of milling wheat today.
  - CBOT corn (Dec 11) closed 4 ½ cents (0.7%) weaker at USc668.75/bu overnight after trading higher for much of the session. Late fund liquidation ahead of the Fed Chairman's announcement was cited as the main reason for the weak close.
  - ASX grain markets lost further ground yesterday. NSW wheat (Jan 12) traded down to \$244/t, the lowest price since early July, while Jan 12 WA wheat traded down to \$254/t. East coast feed barley for Jan 23 delivery traded at \$221/t, a few dollars lower for the day, while May 12 sorghum traded at \$240/t before ending quoted at \$235/t.
- Oilseeds:** CBOT soybeans (Nov 11) fell 1.3% (17 ½ ¢) to USc1320.50/bu and Canadian canola (Nov 11) dropped C\$2.3 to C\$553.3/t. Monthly Chinese customs data showed China imported 4.5 million tonnes of soybeans in Aug, down 15.7% from July and down 5.4% from a year earlier
- Cotton:** NY cotton (Dec 11) slumped 258pts (2.4%) to USc102.83/lb overnight to be 10.5% lower over the past 5 sessions. Weak equities and reports that Indian cotton exports may surge this year because of a record harvest. And Brazil may produce a record 2.1-2.2 million tonnes of cotton in 2011/12 (up from 2mt in 2010/11) according to Brazil's cotton association.
- Sugar:** NY raw sugar (Oct 11) slumped 76pts (2.8%) to USc26.83/lb. The market is just holding above the 100 day MA (26.61) and the 8<sup>th</sup> August low of USc26.83/lb. A break below these levels would open up a downside target of USc25.20/lb. Outside influences a currently the primary driver of sugar prices overnight, but there was also plenty of news to digest. Dow Jones reported that the Indian Food Minister expects next season's sugar output to rise to 24.6 million tonnes from 24.3 million this year. Most analysts believe this is a relatively conservative estimate, with other forecasts up to 26 million tonnes. Either way, India's export potential is rising. The news-flow from Pakistan continues to gyrate. Reuters, quoting government officials, reported last night that the crop loss due to flooding is actually minor and they don't need to import supplies this year. As we said yesterday, the situation in Pakistan is continually evolving. Finally, Chinese customs data showed that China imported 424 thousand tonnes of raw sugar in August, up 65% MOM and 42% higher YOY. In the year to date, Chinese sugar imports have reached 1.2 million tonnes, up 19%.
- Crude Oil:** NYMEX crude oil (Oct 11) slumped 2.4% to USD84.8/bl.

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

		Dec 11	Mar 12	Dec 12
US Wheat (CBOT)	USc/bu	667 -1.2%	702 -1.4%	760 -1.5%
	AUD/t **	242 -0.5%	257 -0.6%	284 -0.7%
AU Wheat - East (ASX)		Jan 12	Mar 12	Jan 13
	AUD/t	246 -0.8%	248 -0.7%	270 -1.2%
AU Wheat - WA (ASX)		Jan 12	Mar 12	Jan 13
	AUD/t	253 -1.4%	258 -1.3%	280 -1.2%
US Soybeans (CBOT)	USc/bu	1321 -1.3%	1332 -1.3%	1312 -1.0%
	AUD/t **	477 -0.6%	485 -0.5%	490 -0.2%
CA Canola (ICE)		Nov 11	Jan 12	Nov 12
	CAD/t	553 -0.4%	563 -0.5%	557 -0.5%
	AUD/t **	544 -0.5%	557 -0.5%	563 -0.5%
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	686 -0.7%	699 -0.6%	620 +0.1%
	AUD/t **	267 +0.1%	274 +0.2%	248 +0.9%
AU Barley (ASX)		Jan 12	Mar 12	Jan 13
	AUD/t	220 -1.8%	222 -1.8%	224 -1.8%
AU Sorghum (ASX)		Nov 11	May 12	May 13
	AUD/t	231 -2.7%	235 -3.1%	235 -3.1%
US Raw Sugar (ICE)		Oct 11	Oct 12	Oct 13
	USc/lb	26.83 -2.8%	23.56 -2.2%	22.74 -1.0%
	AUD/t **	580 -2.0%	528 -1.5%	529 -0.2%
US Cotton (ICE)		Dec 11	Jul 12	Jul 13
	USc/lb	102.83 -2.4%	98.21 -2.7%	97.55 -1.1%
	AUD/bale **	508 -1.7%	495 -1.9%	505 -0.3%
AU Wool EMI (AWEX)		Latest	% chg	Last Pricing
	AUD/kg	12.67	0.0%	20/9/11
AU Cattle (EYCI)		Latest	% chg	Last Pricing
	AUD/kg	4.03	-0.5%	21/9/11
Crude Oil (WTI)		Latest	% chg	Last Pricing
	USD/bl	84.8	-2.4%	21/9/11
	AUD/bl **	83.10	-1.7%	21/9/11
Commodity Indices		Latest	% chg	Last Pricing
	S&P Agri & L'stock (USD)	1273	-1.1%	21/9/11
	S&P Agri & L'stock (AUD)	1247	-0.4%	21/9/11
	S&P All Commodities (USD)	4844	-0.8%	21/9/11
	S&P All Commodities (AUD)	4747	-0.1%	21/9/11
Currencies		Latest	pts chg	% chg
	AUD/USD	1.0205	-0.0074	-0.7%
	AUD/CAD	1.0212	0.0008	0.1%
	AUD/JPY	77.88	-0.75	-1.0%
	USD Index	77.8	0.8	1.0%
Equity Markets		Latest	pts chg	% chg
	ASX S&P200	4072	32	0.8%
	US DJI	11125	-284	-2.5%
	UK FTSE	5288	-75	-1.4%

\* Prices are the closing exchange traded futures prices.

Changes are daily. Last pricing date is 21/09/11, previous pricing date is 20/09/11

Sources: Bloomberg and CBA

\*\* AUD Equivalent Price



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

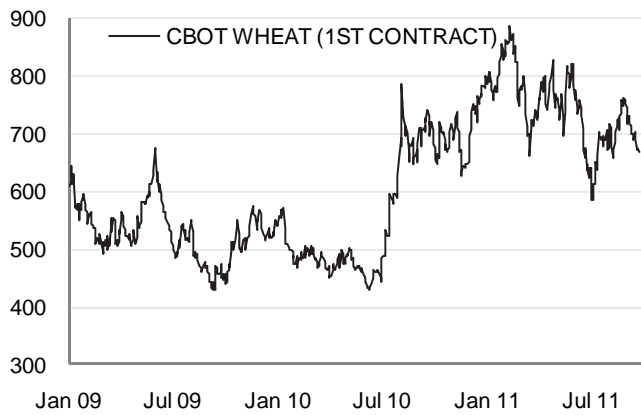


Figure 2: ASX NSW Wheat (Jan 12 Contract, A\$/t)



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

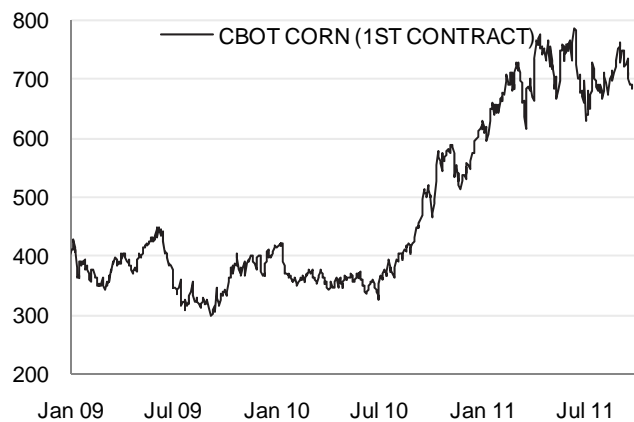


Figure 4: ASX Feed Barley (Jan 12 Contract, A\$/t)



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

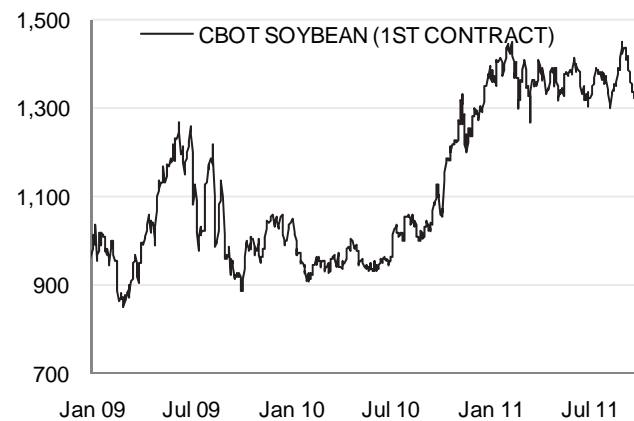


Figure 6: ICE Canola (1<sup>st</sup> Contract, C\$/t)



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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