

Economic concerns cause commodity market sell-off.

- **Markets:** Global economic news was weak once again overnight, resulting in a sharp rise in investor risk aversion. The European debt crisis and fears of a spreading contagion is at the centre of these worries. And the huge volcanic eruption in Iceland didn't help sentiment either. In addition, China's manufacturing index hit a 10-month low in May according to a "flash" estimate by HSBC; the news placing downward pressure on commodity prices. European shares hit five-week lows and US shares fell to their lowest levels in a month.
- **Currencies:** The AUD dropped 1.6% to USD1.0511 overnight (London close) while the USD index surged 1.0% to 76.2pts.
- **Weather:** A front is sending drier air across QLD, causing rain to clear off the east coast. Unstable southwesterly winds are bringing showers to western NSW and snow to the Alps. Another front is causing showers in VIC, TAS and SA. A high is keeping the interior and WA mostly dry. (www.weatherzone.com.au)
- **Grains:** US grain markets closed with mixed results last night.
 - CBOT wheat (Jul 11) closed 3 ½ cents lower at USc803/bu last night after trading either side of unchanged; all other contracts finished with small to modest gains. Bearish outside markets weighed on the complex, however the grain market continues to draw underlying support from the myriad of crop production concerns around the world. The market is also closely watching the Icelandic volcano eruption, with many analysts of the view that the 2010 Russian crop failures were due to the huge volcanic eruption in Iceland during Mar/Apr last year. This week's US crop progress report showed that the US winter wheat crop is only rated 32% good to excellent and that 45% of the crop is rated poor to very poor – a slightly worse result than last week. In addition, spring wheat planting remains well behind schedule with only 54% planted vs. 89% this time last year.
 - CBOT corn (Jul 11) ended 5 ½ cents weaker at USc754/bu overnight after trading within a whisker of fresh record highs earlier in the session. US corn planting progress lifted nicely last week to 79% complete (from 63% the week prior); however this still remains well behind the normal seasonal pace of 87% complete. Wet weather forecasts imply planting progress will stall this week.
 - ASX NSW wheat (Jan 12) traded a few dollars higher to \$307/t yesterday while the Jan 12 feed barley closed \$2 firmer at \$230/t after earlier trading above \$231/t.
- **Oilseeds:** CBOT soybeans (Jul 11) ended 6 ½ cents weaker last night at USc1373.75/bu after earlier trading above USc1392/bu. According to the USDA soybean planting progress lifted sharply this week from 22% to 41%, however this still lags the normal seasonal pace of 51% complete.
- **Cotton:** NY cotton for Jul 11 delivery dropped 172pts (1.1%) to USc153.89/lb last night, however new-crop contracts finished modestly higher. US cotton planting advanced from 42% to 57% complete last week, but this still remains slightly behind the normal seasonal pace. Weather in the US remains very poor – drought in the west and floods in the east.
- **Sugar:** NY raw sugar finished sharply lower across the curve last night – the July 11 contract down 4% (90pts) to USc21.51/lb and the Oct 11 contract down 83pts to USc21.24/lb – amid wider macroeconomic risk aversion and thoughts that global sugar supplies will be ample in the coming year. Physical sugar prices in India are reportedly coming under heavy pressure as local mills increase selling pressure in a bid to reduce their inventories. Meanwhile, the release of 300 thousand tonnes of Chinese reserve sugar is expected to ease supply constraints and place pressure on Chinese sugar prices. Finally, Reuters reported that Egypt cancelled a tender to purchase 50 thousand tonnes of raw sugar for September delivery because of high prices.
- **Crude Oil:** NYMEX crude oil (Jul 11) dropped 2.7% to USD97.44/bl.

Ag Commodity Markets: Daily Price Summary*

		Jul 11	Dec 11	Dec 12
US Wheat (CBOT)	USc/bu	803 -0.4%	898 +0.6%	955 +1.3%
	AUD/t	282 +1.2%	322 +2.1%	358 +2.8%
AU Wheat - East (ASX)	AUD/t	294 +0.5%	308 +1.1%	329 +0.5%
AU Wheat - WA (ASX)	AUD/t	376 0.0%	328 +1.2%	342 +1.1%
US Soybeans (CBOT)	USc/bu	1374 -0.5%	1351 +0.0%	1309 0.0%
	AUD/t	482 +1.1%	482 +1.6%	486 +1.5%
CA Canola (ICE)	CAD/t	~ ~	~ ~	~ ~
	AUD/t	~ ~	~ ~	~ ~
AU Canola (ASX)	AUD/t	517 0.0%	543 0.0%	543 0.0%
US Corn (CBOT)	USc/bu	754 -0.7%	671 +0.6%	601 +0.8%
	AUD/t	284 +0.9%	257 +2.2%	241 +2.3%
AU Barley (ASX)	AUD/t	216 -0.1%	230 +0.8%	230 +0.8%
AU Sorghum (ASX)	AUD/t	229 -1.3%	230 -1.8%	230 -1.8%
US Raw Sugar (ICE)	USc/lb	21.51 -4.0%	21.24 -3.8%	21.45 -2.5%
	AUD/t	453 -2.5%	453 -2.3%	477 -1.0%
US Cotton (ICE)	USc/lb	153.89 -1.1%	112.04 +0.2%	107.76 +1.1%
	AUD/bale	735 +0.5%	552 +1.8%	537 +2.7%
AU Wool EMI (AWEX)	AUD/kg	13.64	% chg	Last Pricing
				19/5/11
AU Cattle (EYC)	AUD/kg	3.91	% chg	Last Pricing
				23/5/11
Crude Oil (WTI)	USD/bl	97.44	% chg	Last Pricing
	AUD/bl	92.70	-1.1%	23/5/11
Commodity Indices		Latest	% chg	Last Pricing
	S&P Agri & L'stock (USD)	1350	-1.3%	23/5/11
	S&P Agri & L'stock (AUD)	1284	0.3%	23/5/11
	S&P All Commodities (USD)	5131	-1.7%	23/5/11
	S&P All Commodities (AUD)	4881	-0.1%	23/5/11
Currencies		Latest	pts chg	% chg
	AUD/USD	1.0511	-0.0167	-1.6%
	AUD/CAD	1.0282	-0.0096	-0.9%
	AUD/JPY	85.98	-1.17	-1.3%
	USD Index	76.2	0.7	1.0%
Equity Markets		Latest	pts chg	% chg
	ASX S&P200	4643	-89	-1.9%
	US DJI	12381	-131	-1.0%
	UK FTSE	5836	-113	-1.9%

* Prices are the closing exchange traded futures prices.

Changes are daily. Last pricing date is 23/05/11, previous pricing date is 20/05/11

Sources: Bloomberg and CBA

** AUD Equivalent Price



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

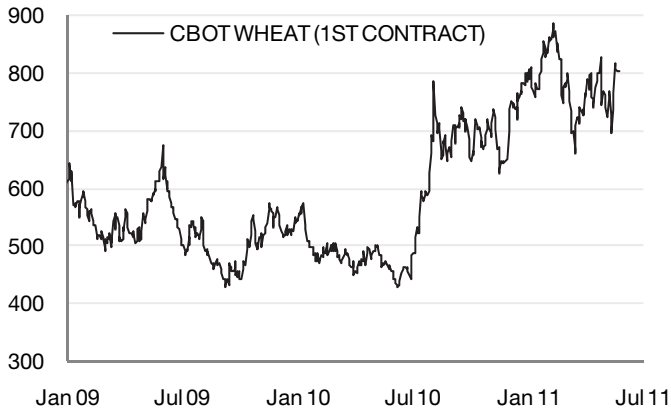


Figure 2: ASX NSW Wheat (Jan 12 Contract, A\$/t)

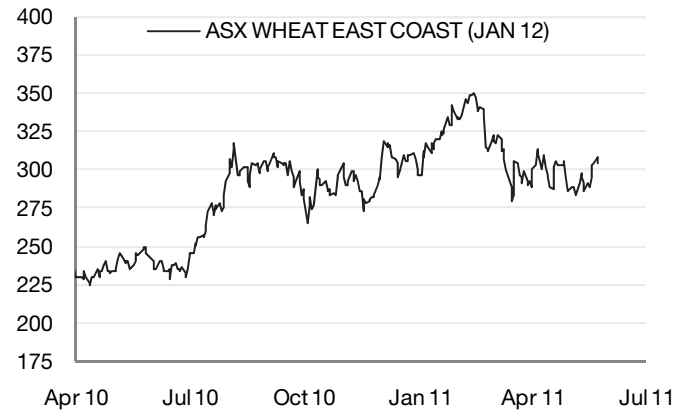


Figure 3: CBOT Corn (1st Contract, US\$/bu)

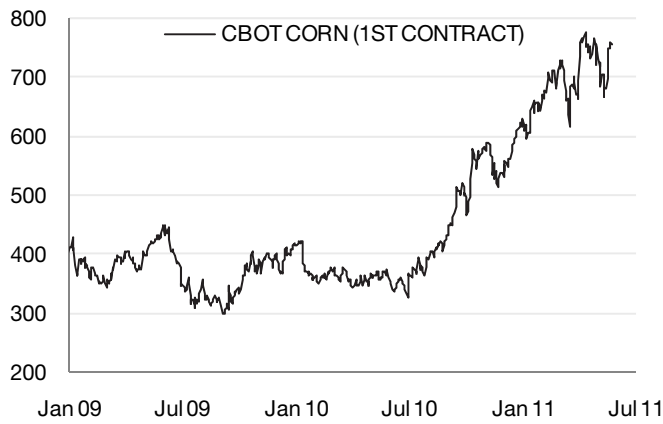


Figure 4: ASX Feed Barley (Jan 12 Contract, A\$/t)

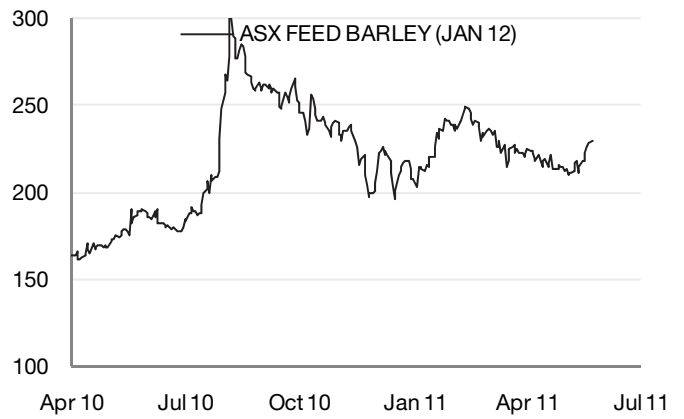


Figure 5: CBOT Soybeans (1st Contract, US\$/bu)



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

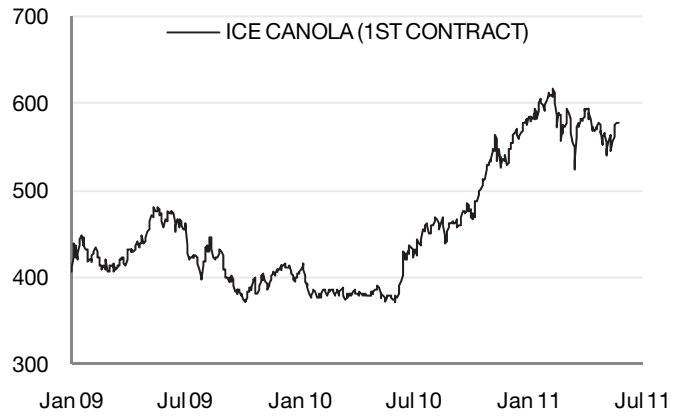


Figure 7: ICE Cotton (1st Contract, US\$/lb)

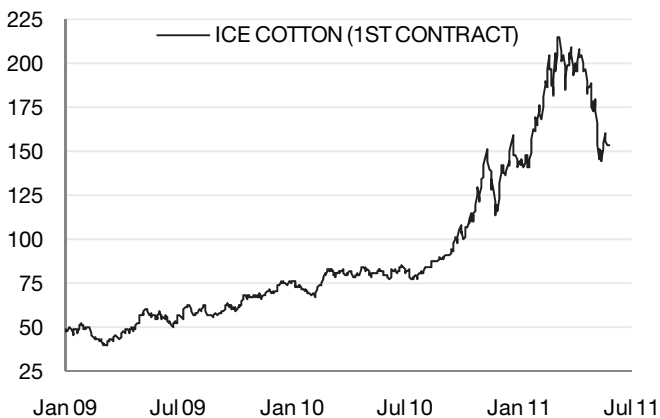


Figure 8: ICE Sugar (1st Contract, US\$/lb)





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