

Cotton curve flattens as demand disappears...

- Markets:** US economic data was weaker than expected last night. The US economy grew at an unrevised 1.8% annualised pace in the March quarter. Economists had expected a lift in the growth rate to 2.2%. And new claims for unemployment insurance rose by 10,000 to 424,000 in the latest week, above forecasts centred on 404,000. European shares were mixed on Thursday with Greece continuing to unsettle investors. US shares posted modest gains on Thursday - while economic data was softer than expected, corporate results buoyed investor sentiment in the US.
- Currencies:** The AUD rose 0.8% to USD1.0611 overnight (London close) while the USD index fell 0.5% to 75.5pts.
- Weather:** A large high is keeping much of the country clear, leading to a cold and foggy morning across the interior. Cool southwesterly winds are delivering just a few light showers to southern VIC and TAS. A trough along the west coast is drawing mild easterlies into WA.
- Grains:** US grain markets finished higher overnight.
 - CBOT wheat (Jul 11) closed 18 cents (2.3%) firmer at USc814.5/bu last night. Production concerns continue to support the market but a large decline in US weekly export sales tempered the gains. Total US export sales were only 432.3 thousand tonnes in the week ending 19th May, including net cancellations of 28 thousand tonnes of old-crop sales.
 - CBOT corn (Jul 11) closed 3 ¼ cents firmer at USc745.5/bu last night after earlier trading above USc758/bu. Early price strength was linked to continued wet weather planting delays in the US and wheat price strength, however forecasts for improving US weather next week helped pull prices from their highs. The USDA reported 779,600 tonnes of US corn were sold for export last week, within the range of estimates for 500,000 to 900,000 tonnes – however total exports for the past month are nearly 50% below year ago levels.
 - ASX grain markets rose strongly yesterday. The NSW Jan 12 wheat contract rose by more than \$5 to \$310/t and east coast feed barley (Jan 12) traded up to \$244/t, up \$6 for the session. The recent rise in east coast feed barley prices has been particularly impressive – up by \$34/t in just 3 weeks.
- Oilseeds:** Strong European rapeseed prices led the oilseed complex higher again last night - the Nov 11 European rapeseed contract rose for 10th consecutive session and finished at fresh contract highs. Drought-like conditions continue to engulf French and German rapeseed production regions. Expectations that West Australian canola production will be below average for a second consecutive session also supported European values. Canadian canola (Jul 11) surged C\$7.1 to C\$593.6/t last night and now appears to be targeting the February contract highs of C\$606.5/t. In addition to the European crop concerns, the Canadian market remains supported by domestic planting delays. CBOT soybeans (Jul 11) ended 0.6% (7¼¢) firmer at USc1384.75/bu. Disappointing demand data didn't contain US soybean prices - the April U.S. soy crush 128 million bushels, down from 136.5 million a year ago. And US soybean exports came in at 157 thousand tonnes which was at the bottom end of trade estimates.
- Cotton:** NY cotton (Jul 10) ended sharply lower overnight, falling 5 cents to USc151.03/lb on the back of another shocking US export sales result. USDA data indicated that another 33,000 bales of old-crop export sales from the US were cancelled by international buyers last week. South Korea, China and Brazil were the main culprits. Cotton prices are currently torn between extremely disappointing demand on one hand but significant concern regarding new-crop production prospects on the other. As a result we believe the cotton futures curve will continue to flatten.
- Sugar:** NY raw sugar futures clawed back early losses to post modest gains overnight. The July 11 contract ended 5pts firmer at USc22.69/lb while Oct 11 ended 17pts firmer at USc22.47/lb. Unica reported that sugar output in CS Brazil totalled 2.36 million tonnes so far this season, down 46.7% yoy.
- Crude Oil:** NYMEX crude oil (Jul 11) fell 1.2% to USD100.1/bl.

Ag Commodity Markets: Daily Price Summary*

US Wheat (CBOT)	Jul 11	Dec 11	Dec 12
USc/bu	815 +2.3%	907 +1.3%	964 +0.3%
AUD/t **	283 +1.4%	322 +0.4%	358 -0.5%
AU Wheat - East (ASX)	Jul 11	Jan 12	Jan 13
AUD/t	294 +0.3%	310 +1.8%	330 +0.2%
AU Wheat - WA (ASX)	Jul 11	Jan 12	Jan 13
AUD/t	376 0.0%	329 +2.0%	343 +1.9%
US Soybeans (CBOT)	Jul 11	Nov 11	Nov 12
USc/bu	1385 +0.6%	1373 +0.8%	1333 +0.5%
AUD/t **	481 -0.2%	485 +0.1%	490 -0.3%
CA Canola (ICE)	Nov 11	Jan 12	Nov 12
CAD/t	594 +1.2%	600 +1.1%	577 +1.0%
AUD/t **	580 +0.2%	590 +0.0%	581 0.0%
AU Canola (ASX)	Jul 11	Jan 12	Jan 13
AUD/t	535 0.0%	561 0.0%	561 0.0%
US Corn (CBOT)	Jul 11	Dec 11	Dec 12
USc/bu	746 +0.4%	676 +0.8%	602 -0.1%
AUD/t **	278 -0.4%	257 0.0%	240 -0.8%
AU Barley (ASX)	Jul 11	Jan 12	Jan 13
AUD/t	223 +1.8%	243 +2.1%	248 +2.1%
AU Sorghum (ASX)	Jul 11	May 12	May 13
AUD/t	227 0.0%	231 0.0%	231 0.0%
US Raw Sugar (ICE)	Jul 11	Oct 11	Oct 12
USc/lb	22.69 +0.2%	22.47 +0.8%	22.15 +0.3%
AUD/t **	473 -0.6%	474 0.0%	488 -0.5%
US Cotton (ICE)	Jul 11	Mar 12	Jul 12
USc/lb	151.03 -3.2%	118.87 -2.6%	113.04 -0.3%
AUD/bale **	714 -4.0%	580 -3.4%	558 -1.1%
AU Wool EMI (AWEX)	Latest	% chg	Last Pricing
AUD/kg	13.84	0.7%	26/5/11
AU Cattle (EYCI)	Latest	% chg	Last Pricing
AUD/kg	3.96	-0.1%	26/5/11
Crude Oil (WTI)	Latest	% chg	Last Pricing
USD/bl	100.1	-1.2%	26/5/11
AUD/bl **	94.34	-2.0%	26/5/11
Commodity Indices	Latest	% chg	Last Pricing
S&P Agri & L'stock (USD)	1356	0.3%	26/5/11
S&P Agri & L'stock (AUD)	1278	-0.5%	26/5/11
S&P All Commodities (USD)	5265	-0.3%	26/5/11
S&P All Commodities (AUD)	4962	-1.1%	26/5/11
Currencies	Latest	pts chg	% chg
AUD/USD	1.0611	0.0084	0.8%
AUD/CAD	1.0394	0.0107	1.0%
AUD/JPY	86.35	0.06	0.1%
USD Index	75.5	-0.4	-0.5%
Equity Markets	Latest	pts chg	% chg
ASX S&P200	4660	76	1.6%
US DJI	12403	8	0.1%
UK FTSE	5881	11	0.2%

* Prices are the closing exchange traded futures prices.

Changes are daily. Last pricing date is 26/05/11, previous pricing date is 25/05/11

Sources: Bloomberg and CBA

** AUD Equivalent Price



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

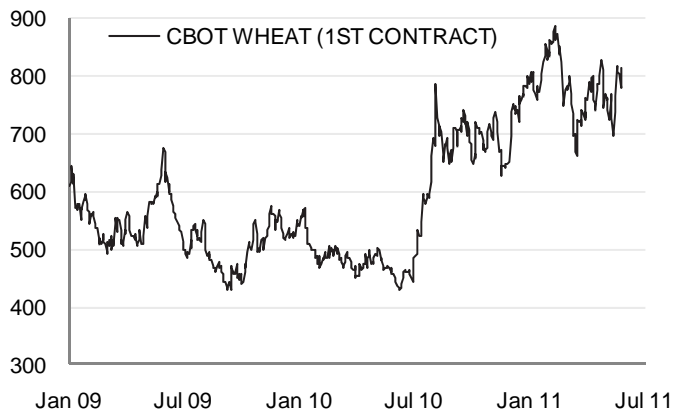


Figure 2: ASX NSW Wheat (Jan 12 Contract, A\$/t)



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

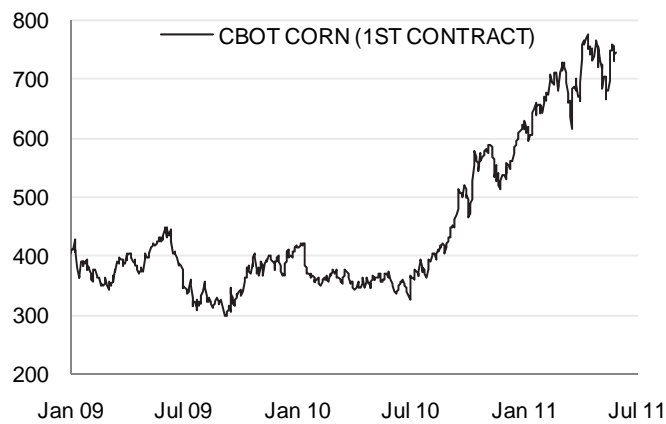


Figure 4: ASX Feed Barley (Jan 12 Contract, A\$/t)

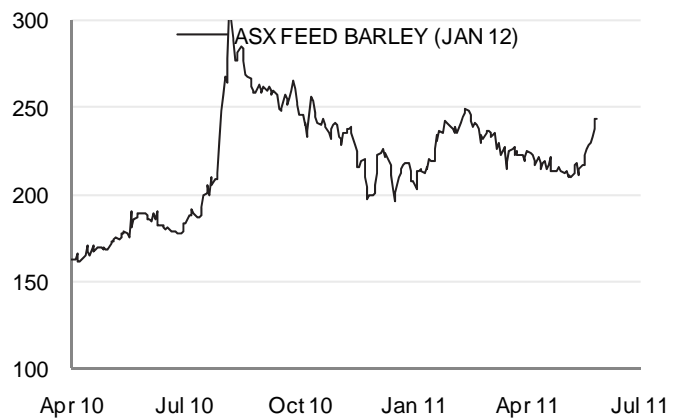


Figure 5: CBOT Soybeans (1st Contract, US\$/bu)

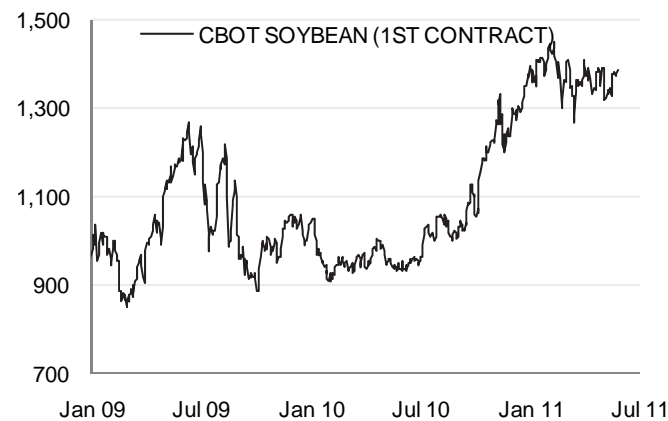


Figure 6: ICE Canola (1st Contract, C\$/t)



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

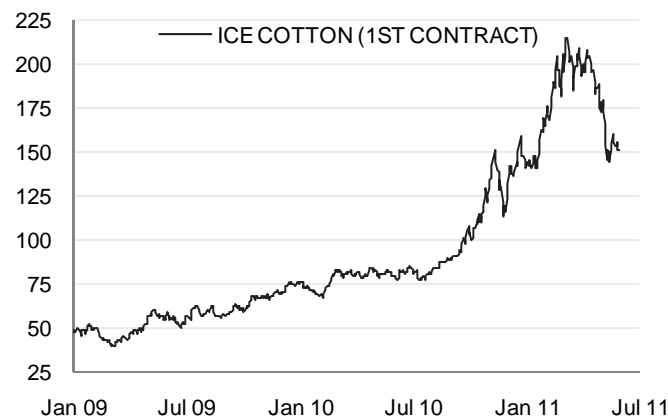
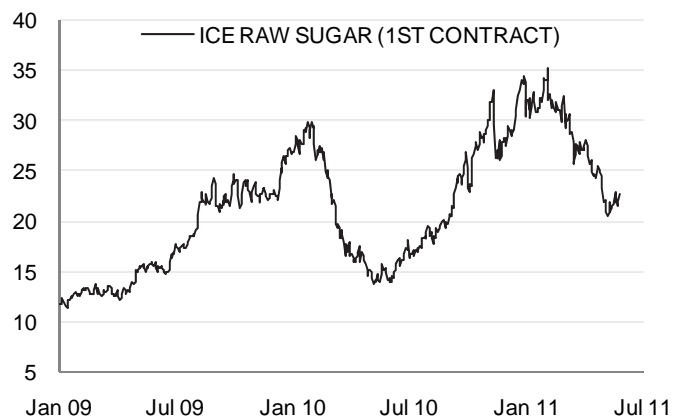


Figure 8: ICE Sugar (1st Contract, US\$/lb)





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