

## European equities soar but ag markets close well off their highs.

■ **Markets:** European shares soared overnight, posting the biggest gains since May 2010, on hopes for a resolution to the European debt crisis. Hopes are growing that European policymakers will boost the firepower of the EFSF, but there are still no specific details of what is intended. The Greek parliament has approved a contentious property tax law that is crucial to its austerity plan and meeting its commitments to secure bailout funds. US shares posted solid gains for a second day as investors became more hopeful about progress with the European debt crisis. But shares finished well off the day's highs after profit takers moved in during late trade. The S&P/Case Shiller 20 city home price index was unchanged in the month and 4.1% lower than a year ago. US consumer confidence rose from 45.2 to 45.4 in September. And the Richmond Fed manufacturing index improved from minus 10 in August to minus 6 in September.

■ **Currencies:** The AUD rallied 2.4% to USD0.9947 overnight (London close) while the USD index fell 0.8% to 77.7pts.

■ **Weather:** A broad trough and low are generating thundery showers through the NT and SA. This trough is spreading these storms into western QLD, NSW and VIC, where northerly winds are strengthening. A front is bringing a burst of cold, showery winds to southern parts of WA.

■ **Grains:** US grain markets closed higher overnight, but well off their highs.

— CBOT wheat (Dec 11) ended 10 cents (1.5%) firmer at USc658.25/bu overnight after rallying to USc666.5/bu earlier in the session. A sharp lift in global risk appetite supported the commodity complex overnight, but we have no idea how long this renewed risk appetite will last. After all, as far as we can tell, nothing in Europe has structurally changed. Also supporting wheat prices for the session is adverse crop weather in many regions. US HRW wheat planting remains delayed by dry conditions in the Great Plains. Recently emerged crops will become extremely stressed if rain is not received soon. It's also too dry across much of Europe and the lower third of the Commonwealth of Independent States (CIS) also remains too dry.

— CBOT corn (Dec 11) rallied to USc665/bu early in the session before turning lower and closing at USc652.25/bu, up just ¼ cents (0.7%) for the day. Outside market support, including the 5% rally in the crude oil market, helped lift corn prices. But US harvest pressure may have contributed to the weaker close in prices.

— ASX NSW wheat (Jan 12) traded up to \$245/t yesterday, aided by the improved mood during the Asian session. WA Jan 12 wheat traded at \$255/t and Jan 12 east coast feed barley traded \$1 higher at \$219.50/t. Heavy rain is falling in the SA grain belt with showers spreading into the eastern states. Excellent rainfall is forecast today and tomorrow. Local grain markets may come under pressure today because of the weaker close in global grain markets this morning, the stronger Aussie dollar and the crop-improving east-coast rains.

■ **Oilseeds:** CBOT soybeans (Nov 11) handed back strong early gains to close just ¾ cents (0.3%) firmer at USc1263/bu. Canadian canola (Nov 11) rose C\$3.7 (0.7%) to C\$534.9/t. The grain and oilseed market couldn't attract follow-through buying last night, with traders perhaps awaiting this Friday's USDA quarterly stocks report before extending new positions.

■ **Cotton:** NY cotton (Dec 11) surged to USc102/lb last night before turning lower and closing at USc100.15/lb, up just 0.5% (51pts) for the day.

■ **Sugar:** NY raw sugar futures opened sharply higher last night and held the gains for the session. The October 11 contract ended 3.8% (95pts) higher at USc26.04/lb. ICE Mar 11 finished 42pts (1.7%) firmer at USc24.70/lb. Unica's bi-weekly crush report showed cane crushing from 1-15<sup>th</sup> Sept reached 36.9mt, down 1.6% YOY and 9% lower than a fortnight earlier. But sugar production for the fortnight rose 3.7% YOY to 2.75mt, with YTD sugar output at 23.1mt, down 8% YOY. Brazilian firm Copersucar said that Centre-South Brazil will export 21.8mt of sugar this year, down 12% year-on-year.

■ **Crude Oil:** NYMEX crude oil (Oct 11) surged 5.2% to USD84.45/bl.

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

		Dec 11	Mar 12	Dec 12
US Wheat (CBOT)	USc/bu	658 +1.5%	692 +1.3%	748 +1.3%
	AUD/t **	245 -0.8%	260 -1.0%	286 -1.0%
AU Wheat - East (ASX)		Jan 12	Mar 12	Jan 13
	AUD/t	246 +0.6%	249 +0.3%	272 +2.1%
AU Wheat - WA (ASX)		Jan 12	Mar 12	Jan 13
	AUD/t	257 +0.8%	262 +0.8%	284 +0.7%
US Soybeans (CBOT)	USc/bu	1263 +0.3%	1275 +0.3%	1262 +0.8%
	AUD/t **	468 -2.0%	476 -2.0%	483 -1.5%
CA Canola (ICE)		Nov 11	Jan 12	Nov 12
	CAD/t	535 +0.7%	545 +0.7%	537 +0.1%
	AUD/t **	529 -0.1%	543 -0.1%	547 -0.7%
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	652 +0.7%	666 +0.7%	600 +1.8%
	AUD/t **	260 -1.7%	268 -1.6%	246 -0.5%
AU Barley (ASX)		Jan 12	Mar 12	Jan 13
	AUD/t	219 -1.0%	222 -0.1%	224 -0.1%
AU Sorghum (ASX)		Nov 11	May 12	May 13
	AUD/t	230 0.0%	234 +1.5%	234 +1.5%
US Raw Sugar (ICE)		Oct 11	Oct 12	Oct 13
	USc/lb	26.04 +3.8%	23.06 +1.5%	22.44 +1.8%
	AUD/t **	577 +1.4%	530 -0.8%	535 -0.4%
US Cotton (ICE)		Dec 11	Jul 12	Jul 13
	USc/lb	100.15 +0.5%	95.32 +0.6%	95.38 -0.2%
	AUD/bale **	507 -1.8%	493 -1.7%	506 -2.4%
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	3.96	-1.1%	27/9/11
Crude Oil (WTI)		Latest	% chg	Last Pricing
	USD/bl	84.45	5.2%	27/9/11
	AUD/bl **	84.90	2.8%	27/9/11
Commodity Indices		Latest	% chg	Last Pricing
	S&P Agri & L'stock (USD)	1240	1.0%	27/9/11
	S&P Agri & L'stock (AUD)	1246	-1.3%	27/9/11
	S&P All Commodities (USD)	4704	3.3%	27/9/11
	S&P All Commodities (AUD)	4729	0.9%	27/9/11
Currencies		Latest	pts chg	% chg
	AUD/USD	0.9947	0.0229	2.4%
	AUD/CAD	1.0136	0.0080	0.8%
	AUD/JPY	76.17	1.87	2.5%
	USD Index	77.7	-0.6	-0.8%
Equity Markets		Latest	pts chg	% chg
	ASX S&P200	4005	141	3.6%
	US DJI	11191	147	1.3%
	UK FTSE	5294	205	4.0%

\* Prices are the closing exchange traded futures prices.

Changes are daily. Last pricing date is 27/09/11, previous pricing date is 26/09/11

Sources: Bloomberg and CBA

\*\* AUD Equivalent Price



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

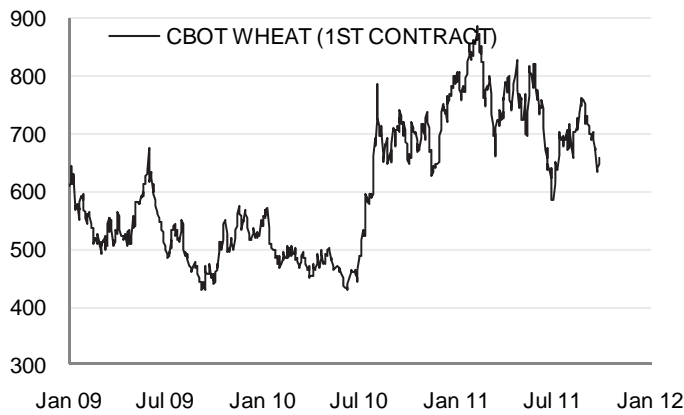


Figure 2: ASX NSW Wheat (Jan 12 Contract, A\$/t)



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

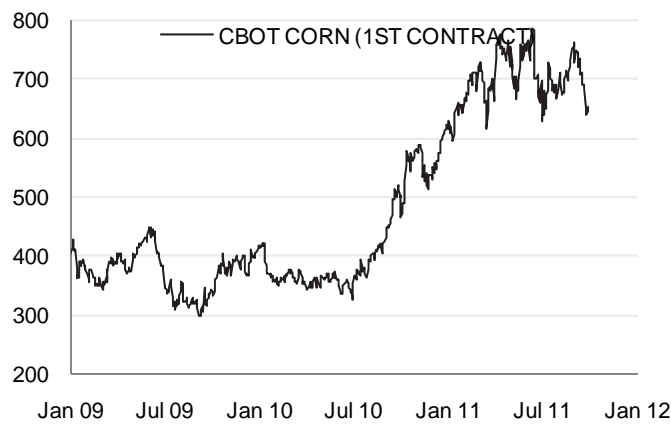


Figure 4: ASX Feed Barley (Jan 12 Contract, A\$/t)



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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