

## Rumours move the grain market...

- Markets:** The International Monetary Fund cut its forecast for global economic growth in 2012 from 4.0% to 3.3%. The global economy grew 3.8% in 2011. The IMF tips global growth of 3.9% in 2013. In the US the Richmond Fed manufacturing Index lifted from +3 to +12 in January - a 10 month high. The 'flash' Eurozone Purchasing Managers Index for January jumped by over 2 points to 50.4. Both manufacturing and services indices improved notably. Strongest performance was in Germany. European shares eased from the highest levels in almost six months on Tuesday after eurozone finance ministers rejected a bond swap offer from Greece's private creditors. US sharemarkets also eased slightly.
- Currencies:** The AUD fell 0.5% to USD1.0477 overnight (London close) and the USD index ended 0.1% firmer at 79.9pts after trading much higher earlier in the session.
- Weather:** Low pressure troughs are triggering rain and storms over eastern Australia, leading to flooding in southeast QLD and northeast NSW. The monsoon trough and embedded lows are generating heavy storms across the tropics. A high is keeping the south dry with hot easterlies in WA. ([www.weatherzone.com.au](http://www.weatherzone.com.au))
- Grains:** US grain markets rose strongly overnight.
  - CBOT wheat (Mar 12) rallied 2.2% (13¼¢) to US\$633.5/bu last night – the fourth consecutive daily gain. Values in AUD terms rose by 2.7% to ~A\$223/t, aided by the weaker local currency. Unconfirmed rumours that Russia may curb grain exports triggered short covering in the wheat market according to Reuters. A spokesman for Russia's ag ministry later said he had no knowledge of any plans to consider wheat export tariffs at a government level.
  - CBOT corn (Mar 12) rose 1.7% (10¼¢) to US\$630.25/bu, buoyed by rumours that Russia may restrict wheat imports and Argentina may restrict corn exports. Both rumours were denied by their respective governments. The UN FAO estimated the Argentinean corn (maize) crop will fall to 21.4 million tonnes – below the USDA's January estimate of 26 million tonnes. This adds weight to the argument that the USDA will cut its Argentinean corn crop estimate in future WASDE reports.
  - Activity in the ASX grain market was subdued once again on Tuesday as participants focussed on logistics in the physical market. Values were quoted slightly weaker across the board. A small parcel of NSW Jan 13 wheat traded at \$232/t - this is much weaker than Dec 12 CBOT wheat which is \$21 higher at ~A\$253/t. Local markets are likely to rise today.
- Oilseeds:** CBOT soybeans (Mar 12) swung either side of unchanged last night before closing 2 ½ cents firmer at US\$1220/bu. Firmer corn prices and strong physical cash prices in the US supported CBOT soybean futures last night, but the 100 day moving average capped the gains, proving a sturdy resistance level at US\$1229.5/bu. Canadian canola (Mar 12) traded higher and lower before closely largely unchanged at to C\$526/t.
- Cotton:** NY cotton (Mar 12) fell 1.2% (119pts) to US\$98.18/lb last night after failing to break through last week's highs at US\$99.47/lb. Support is seen at the 100 day moving average of US\$96.80/lb. India's Cotton Advisory Board cut its 2011/12 production estimate by 1.1 million bales (1 bale = 375lb) to 34.5 million, but at the same time it raised India's export forecast by 400 thousand bales to 8.4 million. The Board's production estimate is in line with the USDA's forecast, but the USDA expects a smaller export program
- Sugar:** NY raw sugar (Mar 12) rallied 1% to US\$25.20/lb last night before falling off a cliff to close at US\$24.89/lb 0.4% (9pts) to US\$24.42/lb, down 0.3% for the session but 1.8% below the night's highs. A failure to break the 200 day moving average (US\$24.25/lb) seemed to spark the brutal selloff late in the session. Continued chatter regarding the poor state of Mexico's cane crop and export prospects remain supportive for sugar prices.
- Crude Oil:** NYMEX crude oil (Feb12) fell 0.5% to USD99.10/b.

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

		Mar 12	Dec 12	Dec 13
US Wheat (CBOT)	USc/bu	634 +2.2%	701 +1.3%	748 +1.0%
	AUDt **	223 +2.7%	253 +1.8%	276 +1.6%
AU Wheat - East (ASX)		Mar 12	Jan 13	Jan 14
	AUD/t	209 -0.1%	232 -0.3%	232 -0.3%
AU Wheat - WA (ASX)		Mar 12	Jan 13	Jan 14
	AUD/t	221 +0.8%	242 +0.7%	242 +0.7%
US Soybeans (CBOT)	USc/bu	1220 +0.2%	1213 +0.5%	1190 +0.7%
	AUDt **	429 +0.7%	437 +0.9%	440 +1.2%
CA Canola (ICE)		Mar 12	Nov 12	Nov 13
	CAD/t	526 -0.2%	508 0.0%	513 0.0%
	AUDt **	499 +0.2%	490 +0.4%	505 +0.4%
AU Canola (ASX)		Mar 12	Jan 13	Jan 14
	AUD/t	475 0.0%	475 0.0%	475 0.0%
US Corn (CBOT)		Mar 12	Dec 12	Dec 13
	USc/bu	630 +1.7%	563 +1.1%	554 +0.6%
	AUDt **	238 +2.1%	217 +1.6%	219 +1.1%
AU Barley (ASX)		Mar 12	Jan 13	Jan 14
	AUD/t	190 0.0%	200 0.0%	199 0.0%
AU Sorghum (ASX)		Mar 12	May 12	May 13
	AUD/t	191 -1.3%	191 -1.3%	195 -1.3%
US Raw Sugar (ICE)		Mar 12	Oct 12	Oct 13
	USc/lb	24.89 -0.3%	23.91 0.0%	23.50 -0.1%
	AUDt **	526 +0.2%	516 +0.5%	521 +0.4%
US Cotton (ICE)		Mar 12	Jul 12	Jul 13
	USc/lb	98.18 -1.2%	98.65 -0.7%	94.75 -0.3%
	AUD/bale **	470 -0.7%	478 -0.3%	472 +0.2%
AU Wool EMI (AWEX)		Latest	% chg	Last Pricing
	AUD/kg	11.92	0.2%	24/1/12
AU Cattle (EYCI)		Latest	% chg	Last Pricing
	AUD/kg	3.91	-1.6%	24/1/12
Crude Oil (WTI)		Latest	% chg	Last Pricing
	USD/bl	99.1	-0.5%	24/1/12
	AUD/bl **	94.59	0.0%	24/1/12
Commodity Indices		Latest	% chg	Last Pricing
	S&P Agri & L'stock (USD)	1186	0.0%	23/1/12
	S&P Agri & L'stock (AUD)	1126	0.0%	23/1/12
	S&P All Commodities (USD)	4980	0.0%	23/1/12
	S&P All Commodities (AUD)	4731	0.0%	23/1/12
Currencies		Latest	pts chg	% chg
	AUD/USD	1.0477	-0.0051	-0.5%
	AUD/CAD	1.0577	-0.0043	-0.4%
	AUD/JPY	81.43	0.40	0.5%
	USD Index	79.9	0.1	0.1%
Equity Markets		Latest	pts chg	% chg
	ASX S&P200	4224	-1	0.0%
	US DJI	12674	-35	-0.3%
	UK FTSE	5752	-31	-0.5%

\* Prices are the closing exchange traded futures prices.

Changes are daily. Last pricing date is 24/01/12, previous pricing date is 23/01/12

Sources: Bloomberg and CBA

\*\* AUD Equivalent Price



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

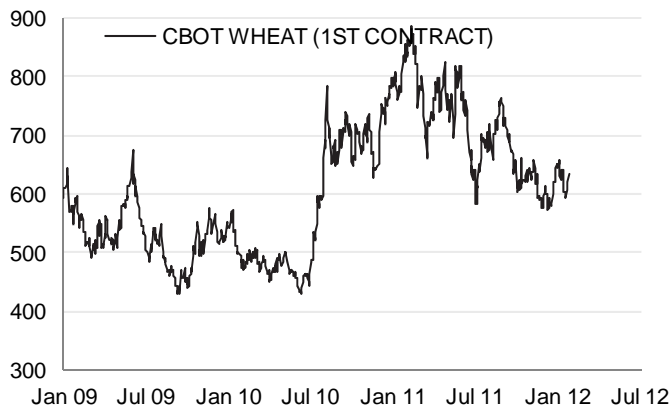


Figure 2: ASX NSW Wheat (Jan 13 Contract, A\$/t)

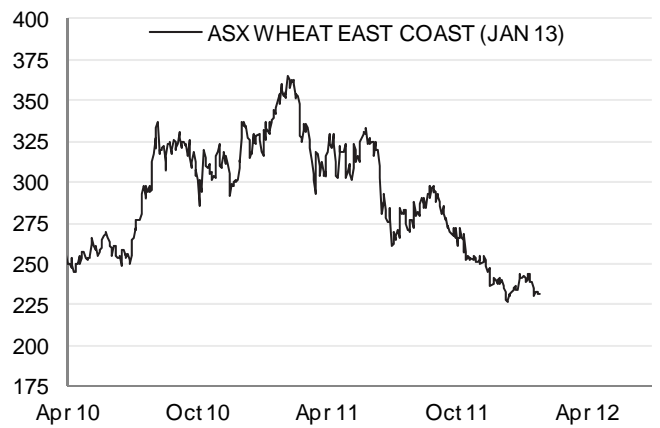


Figure 3: CBOT Corn (1<sup>st</sup> Contract, US\$/bu)



Figure 4: ASX Feed Barley (Jan 13 Contract, A\$/t)



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

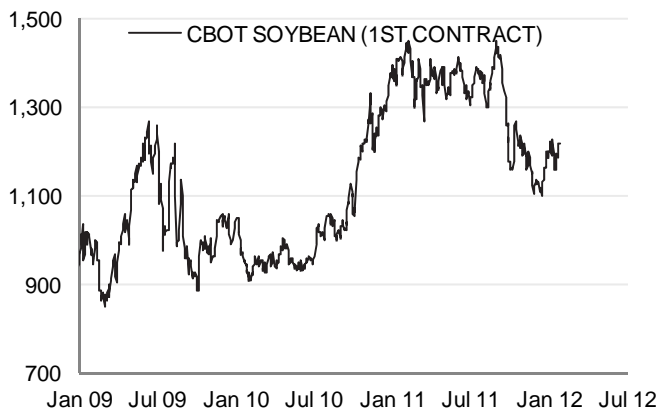


Figure 6: ICE Canola (1<sup>st</sup> Contract, C\$/t)



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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## Research

Commodities		Telephone	Email Address
Luke Mathews	Agri Commodities	+612 9118 1098	luke.mathews@cba.com.au
Lachlan Shaw	Mining & Energy Commodities	+613 9675 8618	lachlan.shaw@cba.com.au
Paul Hodsmen, CFA	Mining & Energy Commodities	+613 9675 8532	paul.hodsmen@cba.com.au

Economics		Telephone	Email Address
Michael Blythe	Chief Economist	+612 9118 1101	michael.blythe@cba.com.au
Michael Workman	Senior Economist	+612 9118 1019	michael.workman@cba.com.au
John Peters	Senior Economist	+612 9117 0112	john.peters@cba.com.au
James McIntyre	Economist	+612 9118 1100	james.mcintyre@cba.com.au
Diana Mousina	Associate Economist	+612 9118 6394	diana.mousina@cba.com.au

Fixed Income		Telephone	Email Address
Adam Donaldson	Head of Debt Research	+612 9118 1095	adam.donaldson@cba.com.au
Philip Brown	Fixed Income Quantitative Strategist	+612 9118 1090	philip.brown@cba.com.au
Alex Stanley	Associate Analyst, Fixed Income	+612 9118 1125	alex.stanley@cba.com.au
Steve Shoobert	Credit Research Analyst	+612 9118 1096	steve.shoobert@cba.com.au
Winnie Chee	Securitized Product	+612 9118 1104	winnie.chee@cba.com.au
Tally Dewan	Quantitative Analyst	+612 9118 1105	tally.dewan@cba.com.au
Kevin Ward	Database Manager	+612 9118 1960	kevin.ward@cba.com.au

Foreign Exchange and International Economics		Telephone	Email Address
Richard Grace	Chief Currency Strategist & Head of International Economics	+612 9117 0080	richard.grace@cba.com.au
Joseph Capurso	Currency Strategist	+612 9118 1106	joseph.capurso@cba.com.au
Peter Dragicevich	FX Economist	+612 9118 1107	peter.dragicevich@cba.com.au
Andy Ji	Asian Currency Strategist	+65 6349 7056	andy.ji@cba.com.au
Chris Tennent-Brown	FX Economist	+612 9117 1378	chris.tennent.brown@cba.com.au
Martin McMahon	Economist Europe	+44 20 7710 3918	martin.mcmahon@cba.com.au

Delivery Channels & Publications		Telephone	Email Address
Monica Eley	Internet/Intranet	+612 9118 1097	monica.eley@cba.com.au
Ai-Quynh Mac	Information Services	+612 9118 1102	maca@cba.com.au

New Zealand		Telephone	Email Address
Nick Tuffley	ASB Chief Economist	+649 301 5659	nick.tuffley@asb.co.nz
Jane Turner	Economist	+649 301 5660	jane.turner@asb.co.nz
Christina Leung	Economist	+649 301 5661	christina.leung@asb.co.nz
Daniel Smith	Economist	+649 301 5853	daniel.smith@asb.co.nz

## Sales

Institutional	Telephone	Equities	Telephone
Syd FX	+612 9117 0190	Syd	+612 9118 1446
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Corporate	Telephone
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VIC	+612 9675 7737
SA	+618 8206 4155
WA	+618 9482 6044
QLD	+617 3015 4525
NZ	+64 9375 5738
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