



Are China's credit conditions easing?

- Chinese bank lending appears to have re-accelerated at the end of October. In 21-27 October, new loans from state-owned commercial banks totalled CNY60b, compared to CNY80b in the preceding twenty days. As of 27 October, new loans totalled CNY140b. As these banks constitute roughly 30% of overall lending in China's banking sector, it is estimated that new CNY loans in October could surpass September's CNY470b. If the acceleration in momentum maintains in the final quarter, 2011 new loans are likely to reach CNY7.5t, just below 2010's CNY8t. It may be that the nascent acceleration could preclude a loosening of overall credit conditions. In our view, the PBoC is likely to adopt a "calibrated" and "targeted" easing to credit conditions in coming months if/when economic growth continues to slow. Such policy measures would support commodity demand and pricing.
- The US private sector added 110,000 jobs in October according to the ADP Employment Survey. The result was ahead of forecasts and all the job gains came from small- and medium-sized businesses. The US Federal Reserve kept interest rates unchanged after its latest FOMC meeting. The accompanying statement included a new set of downwardly revised GDP growth and inflation forecasts that have opened the door slightly to more policy easing. GDP growth is now expected to be between 1.6-1.7% in 2011, and 2.5-2.9% in 2012.
- Base metals ended mostly higher, the exception being nickel. A weaker US dollar supported precious metal prices.
- Spot iron ore prices (cfr China port) rose another 0.9% to close about USD120/t. However, Shanghai rebar prices are slipping again after bouncing higher late last month which is likely to curtail any strong upward price momentum in iron ore markets in the immediate term.
- Crude oil prices ended modestly stronger with the impact of a weaker US dollar slightly offset by a neutral to slightly bearish inventory report (refer below).

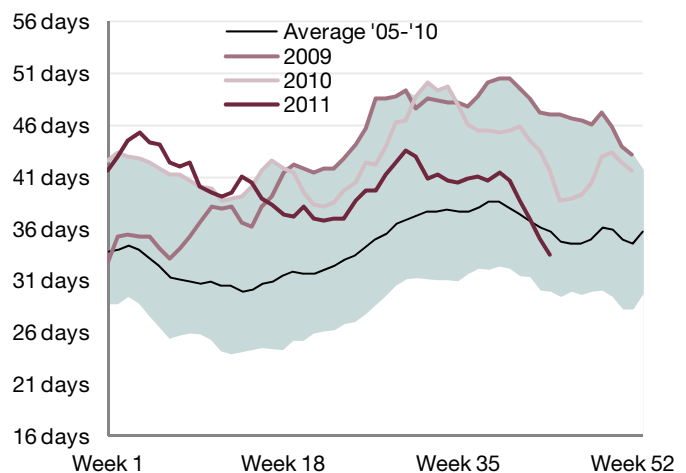
Chart of the Day: Do lower US distillate stocks reflect strong demand or consumer preferences?

- Last week's change in US oil inventories was slightly bearish overall. Crude stocks rose by 1.8mmbbl last week (expected: 1mmbbl increase). But some compositional effects may be at play as well. Last week saw a much larger increase in gasoline stockpiles (than expected) offsetting a much larger fall in distillate stocks than forecast.
- Distillate stocks are now well into the lower half of average levels for this time of year (see chart), while gasoline stocks are above six year highs for this time of year. The divergence reflects stronger relative demand growth for distillates, perhaps due to higher seasonal demand ahead of Christmas, a healthier corporate sector, and changing consumer preferences for diesel-powered vehicles.

Overnight Price Moves (full table over)		02-Nov-11	
New York (Dow Jones IA)		11,836	1.5%
London (FTSE 100)		5,484	1.2%
AUD/USD (as at 03-Nov-11)		1.0334	0.3%
LME Metals (02-Nov)			
	USD/t	USc/lb	% chg
Aluminium	\$2,105	95	0.9%
Copper	\$7,870	357	2.0%
Lead	\$2,004	91	2.1%
Nickel	\$18,557	842	-0.1%
Tin	\$21,955	996	1.0%
Zinc	\$1,919	87	1.1%
Iron ore & Steel			
	USD/t		% chg
Iron ore (62% Fe, cfr China)		\$120.40	0.9%
Steel Billet (LME)		\$534	0.0%
Precious Metals			
Gold			
Spot (USD/oz)		\$1,735.60	0.9%
Comex (USD/oz) *		\$1,736.50	1.4%
AUD spot (AUD/oz)		\$1,683.74	1.3%
Silver (USD/oz)		\$34.14	2.5%
Platinum (USD/oz)		\$1,599.75	0.7%
Palladium (USD/oz)		\$649.63	2.1%
Oil			
NYMEX light sweet crude (USD/bbl) *		\$92.51	0.3%
Brent (USD/bbl)		\$109.13	0.2%
Singapore TAPIS (USD/bbl)		\$122.34	3.2%

Source: Bloomberg, globalCOAL, CBA. Prices are indicative and subject to change. Oz refers to Troy ounce. * Near month.

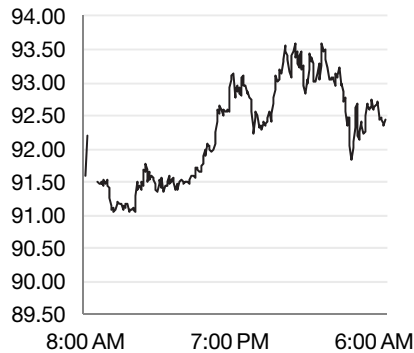
Chart of the Day: Do lower US distillate stocks reflect strong demand or consumer preferences?



Source: US DoE, Bloomberg, CBA

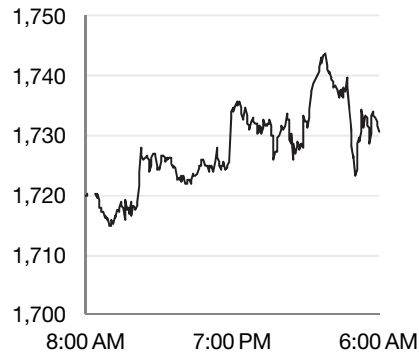


Figure 1: NYMEX light sweet crude (US/bbl) first month intraday price



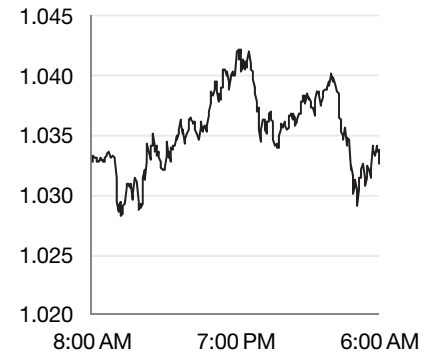
Source: Bloomberg, CBA. 5 min intervals.

Figure 2: Gold (spot, US/oz) intraday price



Source: Bloomberg, CBA. 5 min intervals.

Figure 3: Australian dollar (USD/AUD) intraday price



Source: Bloomberg, CBA. 5 min intervals.

Overnight Market Price Snapshot

LME Metals (02-Nov)

Cash	USD/t	USc/lb	change over		
			day	week	month
Aluminium	\$2,105	95	0.9%	-4.1%	-1.4%
Copper	\$7,870	357	2.0%	2.5%	15.7%
Lead	\$2,004	91	2.1%	5.4%	4.4%
Nickel	\$18,557	842	-0.1%	-2.9%	1.0%
Tin	\$21,955	996	1.0%	2.9%	4.0%
Zinc	\$1,919	87	1.1%	4.6%	5.3%
Steel Billet	\$534	na	0.0%	-0.1%	-8.1%

Futures (3 mth)

Aluminium	\$2,127	96	0.8%	-4.0%	-2.0%
Copper	\$7,885	358	2.0%	2.7%	15.6%
Lead	\$2,024	92	2.1%	5.2%	7.0%
Nickel	\$18,580	843	-0.1%	-2.8%	1.0%
Tin	\$22,000	998	1.0%	2.9%	4.3%
Zinc	\$1,927	87	0.7%	3.9%	4.4%
Steel Billet	\$535	na	0.0%	0.0%	-3.6%

Stocks

	tonnes				
Aluminium	4,546,675	-1,350	-10,325	-9,925	
Copper	423,275	-1,475	-14,150	-51,650	
Lead	386,600	-825	-1,875	6,900	
Nickel	86,538	-138	-1,050	-8,844	
Tin	15,895	-225	-695	-4,630	
Zinc	773,175	-4,100	-12,325	-41,350	
Steel Billet	63,050	-260	-2,600	10,855	

Precious Metals

	USD/oz (unless stated otherwise)				
Gold					
Spot	\$1,735.60	0.9%	0.6%	5.8%	
Comex *	\$1,736.50	1.4%	0.8%	5.9%	
AUD spot (AUD/oz)	\$1,683.74	1.3%	1.0%	-1.4%	
Silver	\$34.14	2.5%	2.2%	12.2%	
Platinum	\$1,599.75	0.7%	0.2%	7.2%	
Palladium	\$649.63	2.1%	0.2%	13.1%	

Natural Gas

Henry Hub (USD/MMBtu) **	\$3.756	-0.7%	4.6%	5.2%
British NBP (GBP/therm) **	65.23	-1.3%	5.5%	-3.0%

Oil	USD/bbl	change over		
		day	week	month
NYMEX light sweet crude **	\$92.51	0.3%	2.6%	16.1%
Brent (Dated)	\$109.13	0.2%	-1.8%	5.8%
Singapore TAPIS	\$122.34	3.2%	-0.2%	8.3%
Dubai	\$106.10	2.8%	-1.9%	9.8%

Refined products, Singapore

Gas Oil (USD/bbl) ***	\$127	1.3%	0.6%	8.9%
Jet Fuel (USD/bbl)	\$127	0.7%	-0.6%	7.9%
Fuel Oil (USD/t) ****	\$691	2.5%	1.4%	11.2%

Currencies (as at 03-Nov-11)

AUD/USD (London close)	1.0334	0.3%	-0.1%	7.5%
AUD/EUR	0.7527	0.4%	0.6%	4.3%
AUD/JPY	80.473	-0.7%	2.3%	8.9%
AUD/CNY	6.553	-0.4%	-0.3%	7.2%
AUD/KOR	1,156	-0.4%	-1.4%	1.3%
EUR/USD	1.375	0.1%	-0.6%	3.3%

Coal*

	USD/t			
Newcastle	\$117.89	~	-0.2%	-3.8%
Richards Bay	\$108.70	~	-0.7%	-5.0%
DES ARA	\$118.52	~	0.0%	-2.3%

Iron ore & Steel

	USD/t			
Iron ore (62% Fe, cfr China)	\$120.40	0.9%	-5.5%	-29.0%
China domestic Rebar	\$663.93	0.0%	0.4%	-5.1%
East Asia HRC (cfr) *****	\$645.00	0.0%	-1.5%	-11.0%
US domestic HRC (US/st) *****	\$640.00	0.0%	-1.9%	-3.8%

Equity & Debt Capital Markets

New York (Dow Jones IA)	11,836	1.5%	-0.3%	8.2%
London (FTSE 100)	5,484	1.2%	-1.2%	7.5%
Europe (EuroStoxx50)	2,292	1.4%	-1.8%	5.2%
Toronto (Metals & Mining)	4,206	1.9%	4.8%	10.1%
Philadelphia Gold & Silver Index	203.8	2.2%	3.1%	9.1%
US 2 year bond yield	0.228%	-4.6%	-20.6%	-11.3%
US 10 year bond yield	1.991%	0.1%	-9.7%	5.4%

Source: Bloomberg, globalCOAL, CBA. Data is indicative and prices subject to change. * Near Month (not adjusted for contract changes). ** Weekly, 28/10 *** Gas Oil is 0.5% sulphur. **** Fuel Oil is 180 centistoke. ***** Weekly, 01/11



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Equities Research
Head of Research

Mark Storey +612 9118 1198

Banks/Insurance/Diversified Financials

Ben Zucker (Banks) +612 9118 1185

Jeff Cai (Banks) +612 9118 1186

Cindy Dowling (Banks) +612 9118 7582

Ross Curran (Insurance/Div Fin) +612 9118 1181

Naveen Patney (Insurance/Div Fin) +612 9118 6391

Basic Materials

Michael Ward* +612 9118 1139

Rahul Badethalav +612 9117 1243

Economics

Michael Blythe +612 9118 1101

James McIntyre +612 9118 1100

Emerging Companies

Nick Maclean +613 9675 7972

Wassim Kisirwani +612 9118 1187

Healthcare

Natalie Kelly +613 9675 7107

Bruce Du +613 9675 6244

Media & Telecommunications

Alice Bennett +613 9675 7118

Dominique d'Avrincourt* +613 9675 6933

James Xavier* +613 9675 7218

Nathan Burley +613 9675 7029

Property

David Lloyd +612 9118 1192

James Druce +612 9118 1193

Resources/Energy

Andrew Hines +613 9675 7443

Lachlan Shaw (Commodities) +613 9675 8618

Andrew Knuckey (Metals & Mining) +613 9675 6791

Tomas Vasquez (Metals & Mining) +613 9675 6059

Paul Hodsmen (Metals & Mining) +613 9675 8532

Luke Smith (Energy) +612 9118 2868

Retail, Food & Beverage

Andrew McLennan +612 9118 1199

Jordan Rogers +612 9118 1177

Amy Toepfer +612 9118 1182

Transport / Developers & Contractors

Matt Crowe (Transport) +612 9118 1189

Andre Fromyhr (Transport) +612 9118 1188

Ben Brownette (D&C) +612 9118 1190

Sam Teeger (D&C) +612 9118 1184

Utilities & Toll Roads

Paul Mason +613 9675 7275

Supervisory Analyst

Joe Pardea +612 9118 6388

Quantitative Research & Database

Nizar Torlakovic +612 9118 1178

Hendrik Botha +612 9118 1200

Darko Roupell +612 9117 1254

Publishing +612 9118 1183

Fax (Sydney) +612 9118 1000

Fax (Melbourne) +613 9675 7622

CommSec Retail

Craig James +612 9118 1806

Savanth Sebastian +612 9118 1805

To contact any of our staff via email, type: first.name.surname@cba.com.au

*Except: Dominique d'Avrincourt – davrindo@cba.com.au

Michael Ward – michael.ward1@cba.com.au

James Xavier – xavierj@cba.com.au

Michael Robson - michael.robson@asb.co.nz

Nick Tuffley – nick.tuffley@asb.co.nz

Jane Turner – jane.turner@asb.co.nz

Christina Leung – christina.leung@asb.co.nz

Institutional Equities
Executive General Manager Institutional Equities & Debt Capital Markets

David Hancock +612 9118 1441

Head of Cash Equities

Lance Jenkins +612 9118 1447

Equity Distribution
Equity Research Sales – Sydney

Angus Esslemont +612 9118 1471

Christine Leonard +612 9118 1442

Chad Mikhael (Emerging Companies) +612 9118 1210

James Barrett (Hedge Funds) +612 9118 4446

Rod Hardwick +612 9118 1444

Rodney Walker +612 9117 7888

Sarah Beeby +612 9118 1018

Will Corkill +612 9118 1461

Melissa George (Desk Manager) +612 9118 1446

Corporate Access

Amanda Chamberlin +612 9118 1443

Mags Ni Mhaonaigh +612 9118 1448

Equity Research Sales – Melbourne

Boyd Carter +613 9675 6815

Wayne Murray +613 9675 7495

Nicolas Thompson +613 9675 6618

Sales Trading

Andrew Tyrrell +612 9118 1451

Jarred Rubin +612 9117 7887

Justin Rooney +612 9118 1453

Nicolas Thompson +613 9675 6618

Paul Welsh +612 9118 1450

Rod Ellis +612 9118 1452

Michael Robson* +64 9374 8693

Equity Trading

Alex Stanford +612 9118 1456

Anthony Brownlow (Electronic) +612 9118 1463

Suzie Toohey (Electronic) +612 9118 1459

Mark Ashton +612 9118 1405

Matt Bromfield +612 9118 1455

Asian Sales

Toll Free (HK) +800 901 636

Toll Free (Sing) +800 616 1949

Fax (Melbourne) +613 9675 7622

Global Markets Research
Commodities

Luke Mathews +612 9118 1098

Lachlan Shaw +613 9675 8618

Foreign Exchange

Richard Grace +612 9117 0080

Joseph Capurso +612 9118 1106

Peter Dragicevich +612 9118 1107

Andy Ji +65 6349 7056

Chris Tennent-Brown +612 9117 1378

Martin McMahon +44 20 7710 3918

Fixed Income

Adam Donaldson +612 9118 1095

Philip Brown +612 9118 1090

Steve Shoober +612 9118 1096

Winnie Chee +612 9118 1104

Tally Dewan +612 9118 1105

Kevin Ward +612 9118 1960

Alex Stanley +612 9118 1125

Economics

Michael Blythe +612 9118 1101

Michael Workman +612 9118 1019

John Peters +612 9117 0112

James McIntyre +612 9118 1100

Nick Tuffley* +64 9374 8604

Jane Turner* +64 9374 8185

Christina Leung* +64 9369 4421

Fax (Sydney) +612 9118 1010