Commodities: Daily Alert

3 November 2011

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).

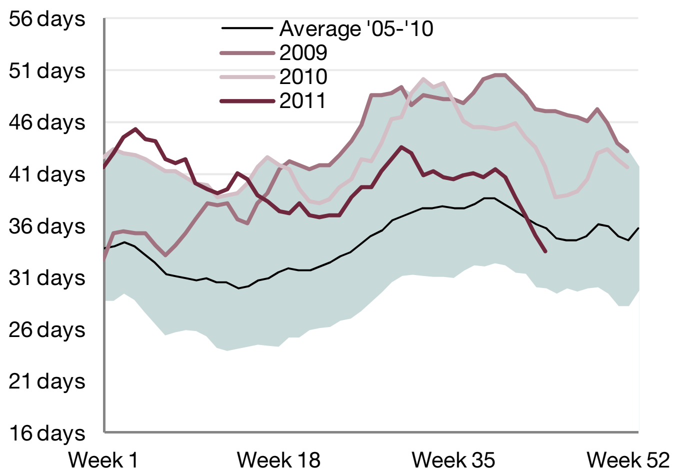
Chart of the Day: Do lower US distillate stocks reflect strong demand or consumer preferences?

- 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.*

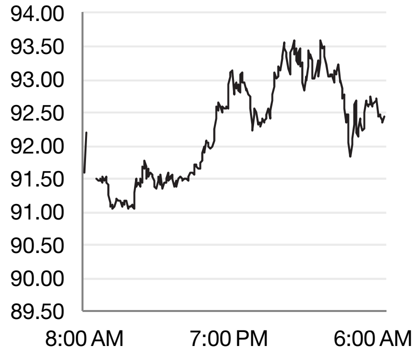
Chart of the Day: Do lower US distillate stocks reflect strong demand or consumer preferences?



Source: US DoE, Bloomberg, CBA

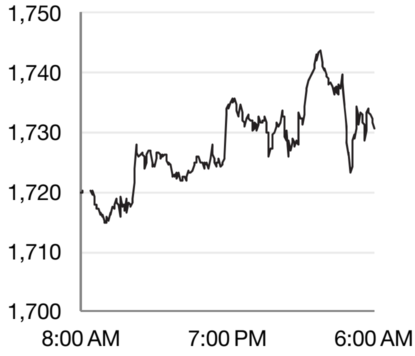
Lachlan Shaw Mining & Energy Commodities T. +613 9675 8618 E. lachlan.shaw@cba.com.au
Paul Hodsman, CFA Mining & Energy Commodities T. +613 9675 8532 E. paul.hodsman@cba.com.au

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



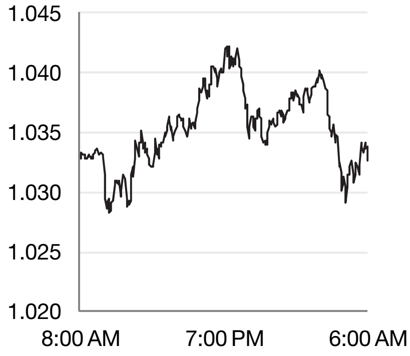
Source: Bloomberg, CBA. 5 min intervals.

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)			change over		
Cash	USD/t	USc/lb	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					
Gold	USD/oz (unless stated otherwise)				
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%

		change over		
Oil	USD/bl	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*

Unless otherwise noted, all data is sourced from Australian Bureau of Statistics material (www.abs.gov.au).

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 Hodsman (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 Shoobert	+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