



Thermal coal contracts rise by 33%

- Xstrata and Chugoku Electric have agreed a thermal coal contract price of USD129.85/t for the year from 1 April 2011 to 31 March 2012, up from USD97.75/t last year. The price is slightly below our forecast for USD133/t but is about USD9/t higher than the spot price. The premium over spot reflects ongoing tight supply after Queensland's flooding, and an expectation that demand could lift over coming months to replace lost nuclear power capacity once short-term logistical disruption in Japan is overcome.
- Base metals ended mostly lower Friday, with zinc and lead bucking the trend to close up. Renewed concerns that China may increase interest rates weighed on markets. Gold fell as stronger US labour force data suggested higher odds that the US Fed might tighten monetary policy.
- Japan's Sumitomo Metals plans to produce 12% less copper in the 1 April 2011 to 31 March 2012 period due to a 60-day maintenance stoppage from September.
- Oil prices rose another 1.1-1.2% on better US labour force data and as Libyan fighting continued.
- Spot iron ore prices – delivered China port – rose another 0.9% to close at USD173.90/t Friday, having bounced steadily off USD160/t a few weeks ago, following the return of Chinese buying. Lower Indian export supply continues to dog spot markets.
- The departure of Vale's CEO Roger Agnelli may lead to Vale diversifying into steel, chemical and fertilisers as government-backed owners favour Vale becoming a national champion conglomerate. If these moves distract Vale from growing its iron ore production and export over the next three-to-five years, total iron ore supply may grow slower than previously thought, which could support prices at higher levels for longer.

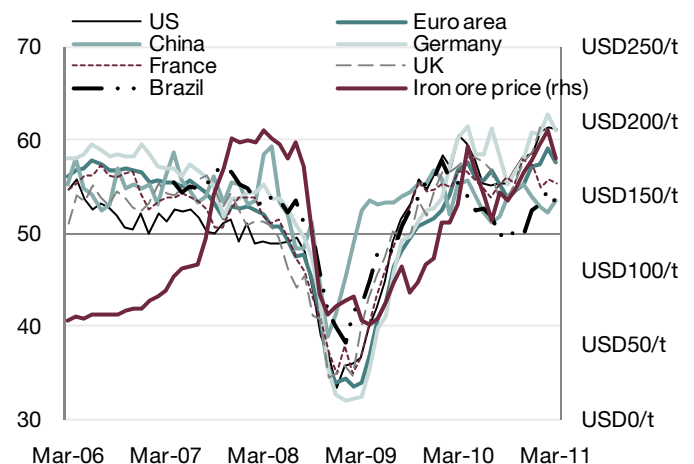
Chart of the Day: March PMIs show pick up in China offset by slower expansions elsewhere

- March PMI indices released late last week show a picture of resurgent manufacturing activity in China, combined with a slight slowdown in the US, and more noticeable slowdowns in the EU and Brazil. All regions showed manufacturing activity continuing to expand in March.
- The bounce in activity in China reflects industry restarting production following the Lunar New Year festival in February, even as authorities continued to tighten credit to cool inflation. The pace of growth of manufacturing input prices slowed in China in March – consistent with easing inflationary pressure. China's manufacturing order backlog and delivery times rose in March after falling for at least the last three months, while inventories and employment are expanding once more after falling in February.

| Overnight Price Moves (full table over) | | 01-Apr-11 | |
|---|------------|-----------|-------|
| New York (Dow Jones IA) | | 12,377 | 0.5% |
| London (FTSE 100) | | 6,010 | 1.7% |
| AUD/USD | | 1.0387 | 0.3% |
| LME Metals (01-Apr) | | | |
| | USD/t | USc/lb | % chg |
| Aluminium | \$2,602 | 118 | -0.7% |
| Copper | \$9,343 | 424 | -0.7% |
| Lead | \$2,761 | 125 | 0.8% |
| Nickel | \$25,576 | 1,160 | -1.9% |
| Tin | \$31,572 | 1,432 | -0.7% |
| Zinc | \$2,381 | 108 | 1.4% |
| Iron ore & Steel | | | |
| | USD/t | | % chg |
| Iron ore (62% Fe, cfr China) | \$173.90 | | 0.9% |
| Steel Billet (LME) | \$542 | | 0.0% |
| Precious Metals | | | |
| Gold | | | |
| Spot (USD/oz) | \$1,428.80 | | -0.2% |
| Comex (USD/oz) * | \$1,428.10 | | -0.8% |
| AUD spot (AUD/oz) | \$1,375.73 | | -0.8% |
| Silver (USD/oz) | \$37.81 | | 0.4% |
| Platinum (USD/oz) | \$1,765.00 | | -0.2% |
| Palladium (USD/oz) | \$773.75 | | 1.3% |
| Oil | | | |
| NYMEX light sweet crude (USD/bbl) * | \$107.94 | | 1.1% |
| Brent (USD/bbl) | \$118.68 | | 1.2% |
| Singapore TAPIS (USD/bbl) | \$123.76 | | 0.9% |

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

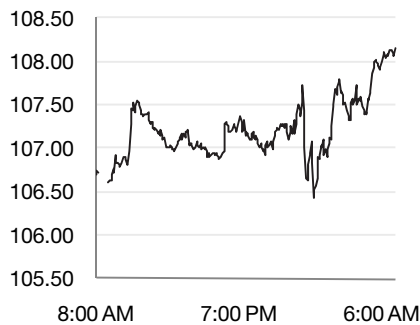
Chart of the Day: PMI indices and China's iron ore import price



Source: Metal Bulletin, Bloomberg, CBA.

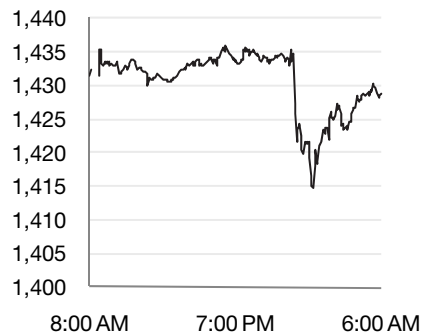


Figure 1: NYMEX light sweet crude (US/bbl) first month intraday price



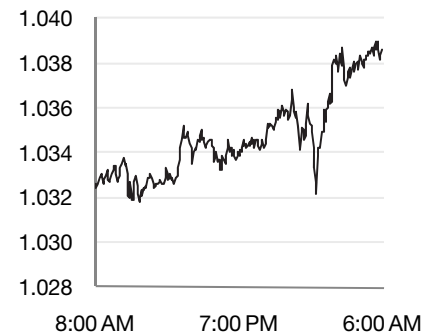
Source: Bloomberg, CBA. 5 min intervals.

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 (01-Apr) | | | change over | | | | | | change over | | |
|----------------------------|----------------------------------|--------|-------------|---------|---------|--|----------|-------|-------------|-------|--|
| Cash | USD/t | USc/lb | day | week | month | Oil | USD/bi | day | week | month | |
| Aluminium | \$2,602 | 118 | -0.7% | -0.3% | 1.3% | NYMEX light sweet crude ** | \$107.94 | 1.1% | 2.8% | 3.4% | |
| Copper | \$9,343 | 424 | -0.7% | -3.4% | -5.5% | Brent (Dated) | \$118.68 | 1.2% | 2.5% | 2.6% | |
| Lead | \$2,761 | 125 | 0.8% | 2.1% | 4.7% | Singapore TAPIS | \$123.76 | 0.9% | 2.3% | 4.0% | |
| Nickel | \$25,576 | 1,160 | -1.9% | -5.4% | -11.1% | Dubai | \$110.75 | 1.2% | 1.2% | 0.5% | |
| Tin | \$31,572 | 1,432 | -0.7% | -0.7% | -0.9% | Refined products, Singapore | | | | | |
| Zinc | \$2,381 | 108 | 1.4% | 0.9% | -2.3% | Gas Oil (USD/bbl) *** | \$135 | 1.7% | 1.9% | 2.5% | |
| Steel Billet | \$542 | na | 0.0% | -1.9% | -0.7% | Jet Fuel (USD/bbl) | \$135 | 1.3% | 1.2% | 1.7% | |
| Futures (3 mth) | | | | | | Fuel Oil (USD/t) **** | \$667 | 1.5% | 1.7% | 2.8% | |
| Aluminium | \$2,631 | 119 | -0.6% | -0.4% | 1.2% | Currencies | | | | | |
| Copper | \$9,360 | 425 | -0.7% | -3.4% | -5.4% | AUD/USD (London close) | 1.0387 | 0.3% | 1.2% | 2.5% | |
| Lead | \$2,698 | 122 | 0.1% | 1.0% | 2.6% | AUD/EUR | 0.7297 | 0.0% | 0.2% | 0.7% | |
| Nickel | \$25,600 | 1,161 | -1.9% | -5.4% | -11.1% | AUD/JPY | 87.32 | 1.8% | 4.6% | 4.6% | |
| Tin | \$31,575 | 1,432 | -0.7% | -0.7% | -0.9% | AUD/CNY | 6.80 | 0.3% | 1.1% | 2.1% | |
| Zinc | \$2,390 | 108 | 1.2% | 0.5% | -2.9% | AUD/KOR | 1,129 | -0.8% | -0.9% | -0.2% | |
| Steel Billet | \$555 | na | 0.0% | -1.8% | -0.6% | EUR/USD | 1.4237 | 0.3% | 1.1% | 1.8% | |
| Stocks | | | tonnes | | | Coal* | | | | | |
| Aluminium | 4,592,075 | | -3,300 | -10,875 | -14,125 | USD/t | | | | | |
| Copper | 438,850 | | -1,000 | -425 | 13,550 | Newcastle | \$121.13 | ~ | -2.2% | -6.4% | |
| Lead | 281,500 | | 200 | -2,475 | -10,000 | Richards Bay | \$121.15 | ~ | -1.1% | 1.8% | |
| Nickel | 123,948 | | 252 | -306 | -5,910 | DES ARA | \$127.25 | ~ | -1.3% | 5.6% | |
| Tin | 18,510 | | 225 | 195 | 810 | Iron ore & Steel | | | | | |
| Zinc | 736,225 | | -450 | 950 | 17,000 | USD/t | | | | | |
| Steel Billet | 51,480 | | -2,860 | -2,860 | 325 | Iron ore (62% Fe, cfr China) | \$173.90 | 0.9% | 4.5% | -1.5% | |
| Precious Metals | | | | | | China domestic Rebar | \$696.43 | 0.0% | 1.3% | -1.6% | |
| Gold | USD/oz (unless stated otherwise) | | | | | East Asia HRC (cfr) ***** | \$730.00 | 0.0% | 0.0% | 0.0% | |
| Spot | \$1,428.80 | | -0.2% | -0.1% | -0.1% | US domestic HRC (US/st) ***** | \$875.00 | 0.0% | 0.0% | 3.6% | |
| Comex * | \$1,428.10 | | -0.8% | 0.1% | 0.0% | Equity & Debt Capital Markets | | | | | |
| AUD spot (AUD/oz) | \$1,375.73 | | -0.8% | -1.3% | -2.5% | New York (Dow Jones IA) | 12,377 | 0.5% | 1.3% | 1.7% | |
| Silver | \$37.81 | | 0.4% | 1.3% | 6.2% | London (FTSE 100) | 6,010 | 1.7% | 1.8% | 0.3% | |
| Platinum | \$1,765.00 | | -0.2% | 0.7% | -4.2% | Europe (EuroStoxx50) | 2,963 | 1.8% | 1.8% | 0.5% | |
| Palladium | \$773.75 | | 1.3% | 3.1% | -4.7% | Toronto (Metals & Mining) | 4,430 | -1.1% | -1.6% | -2.9% | |
| Natural Gas | | | | | | Philadelphia Gold & Silver Index | 214.9 | -0.8% | 0.1% | -0.4% | |
| Henry Hub (USD/MMBtu) ** | \$4.362 | | -0.6% | -0.9% | 14.5% | US 2 year bond yield | 0.802% | -2.8% | 9.0% | 17.1% | |
| British NBP (GBP/therm) ** | 63.52 | | -0.8% | 2.4% | 11.7% | US 10 year bond yield | 3.444% | -0.8% | 0.1% | -1.4% | |

Source: Bloomberg, globalCOAL, CBA. Data is indicative and prices subject to change. * Near Month (not adjusted for contract changes). ** Weekly,01/04 *** Gas Oil is 0.5% sulphur. **** Fuel Oil is 180 centistoke. ***** Weekly,29/03



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