

Is China the next shale gas boom?

- PetroChina's 20 well shale gas drilling campaign in southern Sichuan province has encountered "positive" early results. Some wells are producing at 0.35mmcf/d (initially) and work continues to determine ultimate size of recoverable shale gas reserves. The US EIA estimates that China might hold up to 1,275Tcf of recoverable shale gas which, if true, would significantly shift Asian (and global) natural gas consumption and trade patterns.
- German industrial production jumped by 0.8% in October to be 4.1% higher than a year ago. In contrast Italian Industrial production fell by 0.9% in October to be 4.2% lower y/y, while UK industrial production fell by 0.7% in the same period, and is now 1.7% lower y/y. German industry continues to outperform relative to most of the Euro-zone.
- Base metals ended mixed again, gold rose, silver fell and iron ore (cfr China) eased slightly.
- Crude oil benchmarks slipped, UK Brent more so than US WTI. A weak US inventory report pressured prices (see below). Markets also reacted cautiously to reports that Saudi Arabia produced 10.047mmbbls/d through November, its highest output rate since 1980, and well above previous forecasts for the Kingdom of Saud to produce 9.45mmbbls/d in November. But other participants feel the announcement might be window dressing ahead of the next OPEC meeting on 14 December in Vienna, where the oil exporting cartel may increase output targets to 30mmbbls/d for the first half of 2012.

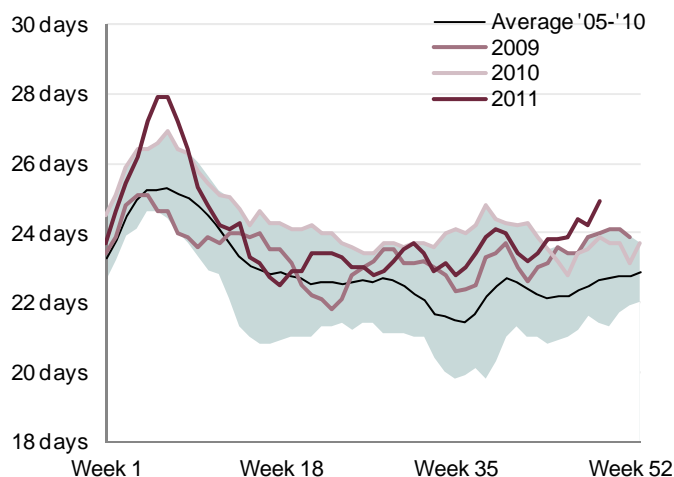
Chart of the Day: US gasoline inventories trending higher, demand remains challenged

- Latest weekly US Department of Energy oil inventory data showed an unexpected increase in total crude stockpiles of 1.3mmbbls, against forecasts for a 1.25mmbbl fall. Distillate stocks rose 2.5mmbbls against forecasts for a 1.15mmbbl increase, but the big surprise was gasoline stocks, which gapped higher by 5.15mmbbls against forecasts for a 0.875mmbbl increase. This was partly a function of much stronger refinery run rates, up 3.1% last week against forecasts for a 0.63% gain. Crude's sell-off overnight was at least in part due to these bearish data.
- US gasoline inventories have now trended comfortably above six-year highs in the last few months (refer to chart), having increased by more than is normal for this time of year. Meanwhile, distillate and crude inventories are about in line with average levels for this time of year. This is indicative of still weak US gasoline demand.
- The biggest user of gasoline in the US is the household sector. Despite the recent fall in the official unemployment rate to below 9%, the U6 underemployment rate remained at 15.6% in November. Conditions remain challenging for un[der]employed US households, which is consistent with relatively muted household gasoline consumption.

Overnight Price Moves (full table over)		07-Dec-11	
New York (Dow Jones IA)		12,180	0.2%
London (FTSE 100)		5,547	-0.4%
AUD/USD (as at 08-Dec-11)		1.0285	0.0%
LME Metals (07-Dec)			
	USD/t	USc/lb	% chg
Aluminium	\$2,070	94	-1.8%
Copper	\$7,793	353	-0.2%
Lead	\$2,129	97	1.1%
Nickel	\$18,033	818	-2.1%
Tin	\$20,460	928	0.8%
Zinc	\$2,021	92	-1.0%
Iron ore & Steel			
		USD/t	% chg
Iron ore (62% Fe, cfr China)		\$139.40	-0.1%
Steel Billet (LME)		\$536	0.0%
Precious Metals			
Gold			
Spot (USD/oz)		\$1,741.55	0.8%
Comex (USD/oz) *		\$1,740.30	0.7%
AUD spot (AUD/oz)		\$1,692.47	0.2%
Silver (USD/oz)		\$32.45	-0.9%
Platinum (USD/oz)		\$1,523.75	0.0%
Palladium (USD/oz)		\$679.50	1.4%
Oil			
NYMEX light sweet crude (USD/bbl) *		\$100.57	-0.7%
Brent (USD/bbl)		\$109.06	-1.2%
Singapore TAPIS (USD/bbl)		\$121.13	1.4%

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

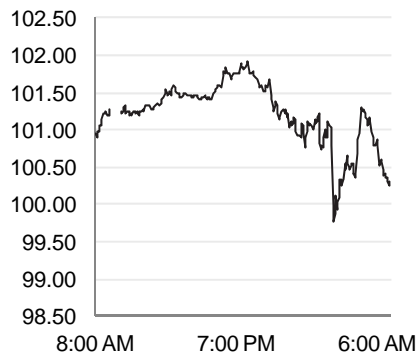
Chart of the Day: US gasoline inventories trend higher, demand remains challenged



Source: US DoE, Bloomberg, CBA

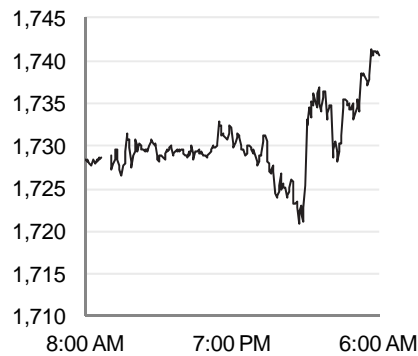


Figure 1: NYMEX light sweet crude (US/bbl) first month intraday price



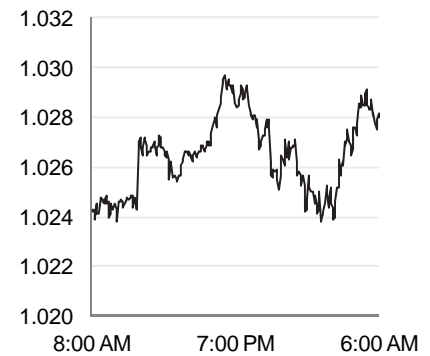
Source: Bloomberg, CBA. 5 min intervals.

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 (07-Dec)

	USD/t	USc/lb	change over		
			day	week	month
Cash					
Aluminium	\$2,070	94	-1.8%	-1.5%	-1.7%
Copper	\$7,793	353	-0.2%	-0.8%	2.4%
Lead	\$2,129	97	1.1%	1.8%	9.0%
Nickel	\$18,033	818	-2.1%	3.1%	0.0%
Tin	\$20,460	928	0.8%	-2.0%	-6.9%
Zinc	\$2,021	92	-1.0%	-2.5%	4.9%
Steel Billet	\$536	na	0.0%	5.0%	2.2%

Futures (3 mth)

Aluminium	\$2,078	94	-1.7%	-1.5%	-2.2%
Copper	\$7,820	355	-0.2%	-0.8%	2.6%
Lead	\$2,148	97	1.1%	1.8%	8.6%
Nickel	\$18,050	819	-2.0%	3.1%	0.0%
Tin	\$20,500	930	0.9%	-1.9%	-6.8%
Zinc	\$2,027	92	-0.9%	-2.1%	4.8%
Steel Billet	\$550	na	0.0%	4.8%	3.0%

Stocks

	tonnes				
Aluminium	4,549,000	-800	-11,350	8,075	
Copper	389,450	-650	2,825	-22,700	
Lead	364,400	-825	-5,425	-15,650	
Nickel	90,510	-546	120	7,350	
Tin	11,925	-470	-565	-3,085	
Zinc	737,975	1,825	-1,875	-20,325	
Steel Billet	68,575	0	325	6,305	

Precious Metals

	USD/oz (unless stated otherwise)				
Gold					
Spot	\$1,741.55	0.8%	-0.3%	-1.6%	
Comex *	\$1,740.30	0.7%	-0.3%	-2.9%	
AUD spot (AUD/oz)	\$1,692.47	0.2%	-0.6%	-2.5%	
Silver	\$32.45	-0.9%	-1.0%	-4.7%	
Platinum	\$1,523.75	0.0%	-2.3%	-6.4%	
Palladium	\$679.50	1.4%	11.0%	4.9%	

Natural Gas

Henry Hub (USD/MMBtu) **	\$3.423	-1.8%	-3.6%	-6.3%
British NBP (GBP/therm) **	57.80	0.1%	-3.8%	-10.0%

	USD/bbl			
Oil				
NYMEX light sweet crude **	\$100.57	-0.7%	0.2%	5.0%
Brent (Dated)	\$109.06	-1.2%	-2.0%	-2.8%
Singapore TAPIS	\$121.13	1.4%	1.1%	-2.6%
Dubai	\$109.44	1.3%	0.5%	-1.3%

Refined products, Singapore

Gas Oil (USD/bbl) ***	\$128	1.7%	1.3%	-2.7%
Jet Fuel (USD/bbl)	\$127	1.5%	0.5%	-3.5%
Fuel Oil (USD/t) ****	\$677	0.6%	-1.6%	-6.3%

Currencies (as at 08-Dec-11)

AUD/USD (London close)	1.0285	0.0%	0.3%	0.9%
AUD/EUR	0.7673	0.1%	0.6%	2.4%
AUD/JPY	79.896	0.4%	0.5%	0.8%
AUD/CNY	6.548	0.5%	0.1%	1.3%
AUD/KOR	1,160	0.4%	-0.8%	1.6%
EUR/USD	1.342	0.2%	-0.2%	-1.3%

Coal*

	USD/t			
Newcastle	\$111.29	~	-0.6%	-4.8%
Richards Bay	\$102.81	~	1.1%	-5.2%
DES ARA	\$111.60	~	-0.5%	-5.3%

Iron ore & Steel

	USD/t			
Iron ore (62% Fe, cfr China)	\$139.40	-0.1%	6.5%	3.7%
China domestic Rebar	\$669.27	0.0%	0.5%	1.0%
East Asia HRC (cfr) *****	\$630.00	0.0%	0.0%	0.0%
US domestic HRC (US/st) *****	\$653.75	0.0%	0.6%	2.1%

Equity & Debt Capital Markets

New York (Dow Jones IA)	12,180	0.2%	1.1%	3.4%
London (FTSE 100)	5,547	-0.4%	0.8%	1.6%
Europe (EuroStoxx50)	2,345	-0.5%	0.6%	4.2%
Toronto (Metals & Mining)	4,121	-0.5%	-2.7%	-2.3%
Philadelphia Gold & Silver Index	203.7	-0.5%	-2.2%	-1.4%
US 2 year bond yield	0.236%	-7.8%	-7.8%	3.5%
US 10 year bond yield	2.023%	-3.2%	-2.2%	3.1%

Source: Bloomberg, globalCOAL, CBA. Data is indicative and prices subject to change. * Near Month (not adjusted for contract changes). ** Weekly, 02/12 *** Gas Oil is 0.5% sulphur. **** Fuel Oil is 180 centistoke. ***** Weekly, 06/12



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