



Inflation fears weigh on metal and oil prices

- Base metals ended 0.6-2.3% lower with copper faring the worst, following weaker than expected Chinese copper imports and industrial production in April, and higher than forecast inflation in China. The price of gold retreated despite stronger safe haven demand thanks to the firmer tone of the US dollar. Silver was smashed 8.6% in what has become a very volatile market.
- Crude oil prices ended 4.2-5.5% lower overnight as a bearish US inventory report (see below), a stronger US dollar and expectations of less severe Mississippi River floods damage to refineries tempered investor enthusiasm. Worse than expected inflation data in Europe and China also stocked fears of further monetary policy tightening that might reduce oil demand.
- The US trade deficit widened to a larger than expected \$48.2b in March. US exports grew by 4.6% to a record \$172.7b in March - marking the biggest month-on-month gain in 17-years, as the weak US dollar boosted the competitiveness of US exports. Imports grew by 4.9% to \$220.8b, largely driven by a sharp rise in the oil price. The US dollar rallied on safe haven demand as speculation grew that Greece may need to restructure its debt, amid broader Eurozone sovereign debt issues. Japan's leading index fell from 104.2 in February to 99.5 in March, while German inflation came in higher than expected for April, stoking fears of further interest rate increases.
- Spot iron ore prices delivered China port were stable at USD179.60/t (62% Fe) yesterday. Strong steel production growth continues to support prices, however the return of Indian export supply over coming months as export bans are lifted has the potential to exert downward pressure on spot import prices through 2H11.

Chart of the Day: US crude inventories remain at six year highs

- US Department of Energy weekly inventory data showed a 3.8mnbbl increase in US crude inventory last week, against forecasts for a 1.5mnbbl rise. Distillate inventories unexpectedly fell by 0.8mnbbls against expectations for a flat result last week.
- The gains were concentrated in gasoline stockpiles, which rose by 1.3mnbbls against forecasts for a fall of 0.75mnbbls. And this is when refinery run rates unexpectedly fell last week. Even as fears of flood disruption to refineries along the banks of the Mississippi River built this week, latest reports are that the floods may be less severe than initially expected, making severe refinery outages less likely.
- Even with the rise in gasoline stocks last week, overall gasoline inventory in the US is about in line with average levels for this time of year.

Overnight Price Moves (full table over)	11-May-11	
New York (Dow Jones IA)	12,630	-1.0%
London (FTSE 100)	5,976	-0.7%
AUD/USD	1.0714	-0.7%

LME Metals (11-May)	USD/t	USc/lb	% chg
Aluminium	\$2,621	119	-1.2%
Copper	\$8,680	394	-2.3%
Lead	\$2,315	105	-1.8%
Nickel	\$24,549	1,114	-1.2%
Tin	\$29,065	1,318	-1.6%
Zinc	\$2,143	97	-0.6%

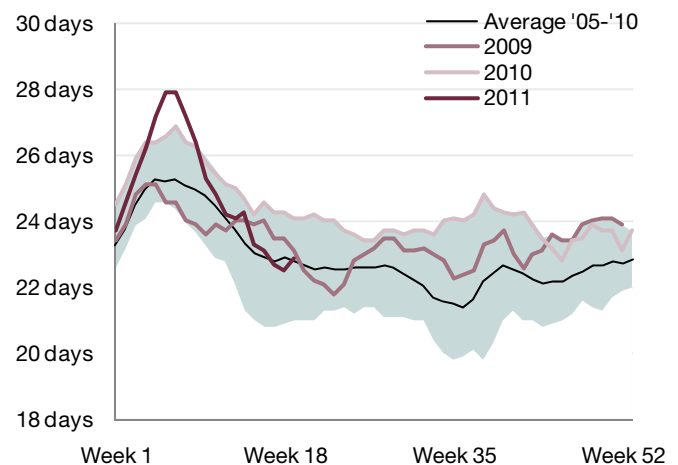
Iron ore & Steel	USD/t	% chg
Iron ore (62% Fe, cfr China)	\$179.60	0.0%
Steel Billet (LME)	\$559	0.0%

Precious Metals			% chg
Gold			
Spot (USD/oz)	\$1,502.10		-0.9%
Comex (USD/oz) *	\$1,501.60		-1.0%
AUD spot (AUD/oz)	\$1,404.32		0.4%
Silver (USD/oz)	\$35.20		-8.6%
Platinum (USD/oz)	\$1,774.50		-1.3%
Palladium (USD/oz)	\$718.50		-1.6%

Oil			% chg
NYMEX light sweet crude (USD/bbl) *	\$98.21		-5.5%
Brent (USD/bbl)	\$112.71		-4.2%
Singapore TAPIS (USD/bbl)	\$124.25		2.2%

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

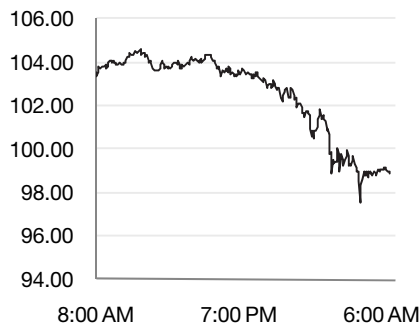
Chart of the Day: US gasoline inventories in days of consumption



Source: US DoE, Bloomberg, CBA.

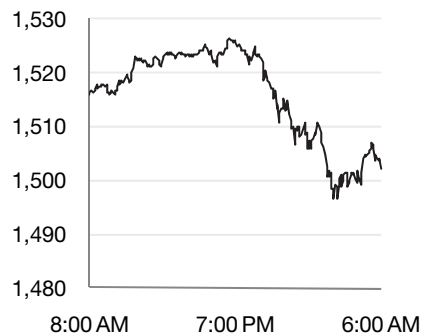


Figure 1: NYMEX light sweet crude (US/bbl) first month intraday price



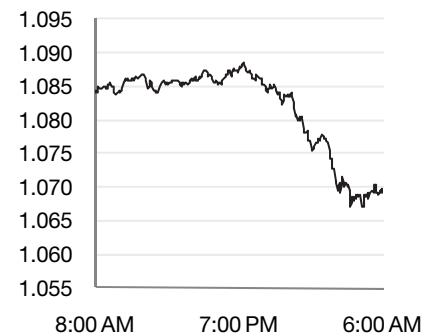
Source: Bloomberg, CBA. 5 min intervals.

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 (11-May)

	USD/t	USc/lb	change over		
			day	week	month
Cash					
Aluminium	\$2,621	119	-1.2%	-4.4%	0.1%
Copper	\$8,680	394	-2.3%	-4.6%	-8.5%
Lead	\$2,315	105	-1.8%	-6.6%	-15.3%
Nickel	\$24,549	1,114	-1.2%	-4.9%	-6.5%
Tin	\$29,065	1,318	-1.6%	-6.0%	-9.8%
Zinc	\$2,143	97	-0.6%	-1.3%	-10.7%
Steel Billet	\$559	na	0.0%	-1.2%	4.2%

Futures (3 mth)

Aluminium	\$2,612	118	-1.5%	-5.1%	-1.2%
Copper	\$8,700	395	-2.4%	-4.6%	-8.5%
Lead	\$2,295	104	-1.7%	-6.5%	-14.3%
Nickel	\$24,550	1,114	-1.2%	-4.9%	-6.5%
Tin	\$29,125	1,321	-1.6%	-5.9%	-9.7%
Zinc	\$2,160	98	-0.6%	-1.4%	-10.8%
Steel Billet	\$548	na	0.0%	-3.1%	-0.5%

Stocks

	tonnes				
Aluminium	4,592,000	-2,750	-14,000	20,800	
Copper	468,350	25	4,425	18,425	
Lead	313,325	150	2,275	32,925	
Nickel	114,948	-612	-1,428	-7,110	
Tin	21,885	25	805	3,090	
Zinc	829,500	550	7,150	92,450	
Steel Billet	53,430	-2,535	-3,965	-4,875	

Precious Metals

	USD/oz (unless stated otherwise)			
Gold				
Spot	\$1,502.10	-0.9%	-0.9%	3.1%
Comex *	\$1,501.60	-1.0%	-0.9%	3.2%
AUD spot (AUD/oz)	\$1,404.32	0.4%	-0.5%	1.2%
Silver	\$35.20	-8.6%	-10.5%	-13.4%
Platinum	\$1,774.50	-1.3%	-2.7%	-0.1%
Palladium	\$718.50	-1.6%	-4.0%	-5.7%

Natural Gas

Henry Hub (USD/MMBtu) **	\$4.191	-1.3%	-8.4%	1.2%
British NBP (GBP/therm) **	58.08	-0.5%	4.1%	-3.3%

Oil	USD/bi	change over		
		day	week	month
NYMEX light sweet crude **	\$98.21	-5.5%	-10.1%	-8.3%
Brent (Dated)	\$112.71	-4.2%	-6.6%	-8.2%
Singapore TAPIS	\$124.25	2.2%	-4.4%	-3.0%
Dubai	~	~	~	~

Refined products, Singapore

Gas Oil (USD/bbl) ***	\$129	1.5%	-6.2%	-6.1%
Jet Fuel (USD/bbl)	\$130	1.6%	-5.7%	-5.4%
Fuel Oil (USD/t) ****	\$657	0.8%	-4.4%	-3.1%

Currencies

AUD/USD (London close)	1.0714	-0.7%	-0.4%	2.1%
AUD/EUR	0.7535	0.2%	4.0%	3.8%
AUD/JPY	86.67	-0.5%	0.1%	-1.4%
AUD/CNY	6.96	-0.7%	-0.4%	1.5%
AUD/KOR	1,158	-0.8%	0.1%	1.3%
EUR/USD	1.4219	-0.9%	-4.2%	-1.6%

Coal*

	USD/t			
Newcastle	\$122.71	~	0.4%	-0.5%
Richards Bay	\$123.85	~	0.0%	-0.6%
DES ARA	\$127.19	~	-0.3%	-1.7%

Iron ore & Steel

	USD/t			
Iron ore (62% Fe, cfr China)	\$179.60	0.0%	-2.0%	-1.3%
China domestic Rebar	\$740.80	0.4%	0.2%	3.6%
East Asia HRC (cfr) *****	\$725.00	0.0%	0.0%	-0.7%
US domestic HRC (US/st) *****	\$855.00	0.0%	0.0%	-2.3%

Equity & Debt Capital Markets

New York (Dow Jones IA)	12,630	-1.0%	-0.7%	2.9%
London (FTSE 100)	5,976	-0.7%	-0.1%	-0.6%
Europe (EuroStoxx50)	2,942	0.1%	-0.3%	-0.3%
Toronto (Metals & Mining)	4,082	-3.4%	-5.1%	-9.2%
Philadelphia Gold & Silver Index	197.1	-4.1%	-5.6%	-9.0%
US 2 year bond yield	0.547%	-6.8%	-7.1%	-25.1%
US 10 year bond yield	3.157%	-1.8%	-1.9%	-8.8%

Source: Bloomberg, globalCOAL, CBA. Data is indicative and prices subject to change. * Near Month (not adjusted for contract changes). ** Weekly, 06/05 *** Gas Oil is 0.5% sulphur. **** Fuel Oil is 180 centistoke. ***** Weekly, 10/05



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