

Copper up on better Chinese demand

- US consumer prices rose by 0.5% in February - marking the largest monthly increase in 18 months. In the 12 months to February consumer prices were up 2.1%. Gasoline was the key driver rising by 4.7%. Core consumer prices rose by a more sedate 0.2% in February to be up by 1.1% over the year. US initial jobless claims fell by 16,000 to 385,000 in the week to March 12. The US Conference Board Index of leading economic indicators rose by 0.8% in February. US industrial production fell by 0.1% in February, against forecasts for a 0.6% increase. The Philadelphia Fed business conditions index rose from 35.9 to 43.4 in March - marking the highest reading in 27 years. The US dollar ended lower against the Euro.
- Base metal prices rose strongly overnight, ending 2.1% to 3.9% higher. Copper and nickel rose the most. Sentiment improved on renewed Chinese buying. And gold prices finished up on renewed safe haven demand as Libyan tensions escalated.
- Crude oil prices ended strongly higher overnight, with WTI up 3.5% and Brent up 4.4%. The United Nations will vote on a resolution to impose a no-fly zone in Libya this morning AEDST. A no-fly zone would allow the UN to engage with Muammar Qaddafi's forces to quell attacks on Libya's rebels. An escalation in Libya's civil war continues to make markets nervous on supply security issues.
- Spot iron ore prices rose yesterday for the first time in a month as Chinese buying interest picked up. We had always thought that the dearth of Chinese buying in recent weeks would not last - steel production rates continue to record new highs and iron ore stocks can only sustain production for perhaps a month or two.

Chart of the Day: Shanghai to LME copper price arbitrage more supportive for Chinese buying

- LME copper prices had a strong night overnight on emerging reports that Chinese buying picked up as LME prices fell towards USD4/lb in recent times. The effect of the LME price retreating has been to narrow the premium to Shanghai Futures Exchange copper prices, which makes Chinese imports of copper more attractive.
- While positive for where future Chinese copper imports might head, we would caution that near term uncertainty from the disruption caused by Japan's earthquake may yet drive higher volatility than normal. And clearly China's copper demand is price sensitive at USD4.50/lb or higher. This is a key reason why we struggle to justify copper prices sustaining USD5-6/lb - at these levels, demand destruction is relevant and will mean that these prices are unlikely to sustain much longer than six months, in our view.

Overnight Price Moves (full table over)	17-Mar-11	
New York (Dow Jones IA)	11,775	1.4%
London (FTSE 100)	5,696	1.7%
AUD/USD	0.9805	-0.1%

LME Metals (17-Mar)	USD/t	USc/lb	% chg
Aluminium	\$2,494	113	2.8%
Copper	\$9,565	434	3.3%
Lead	\$2,665	121	2.6%
Nickel	\$25,924	1,176	3.9%
Tin	\$29,385	1,333	2.8%
Zinc	\$2,311	105	2.1%

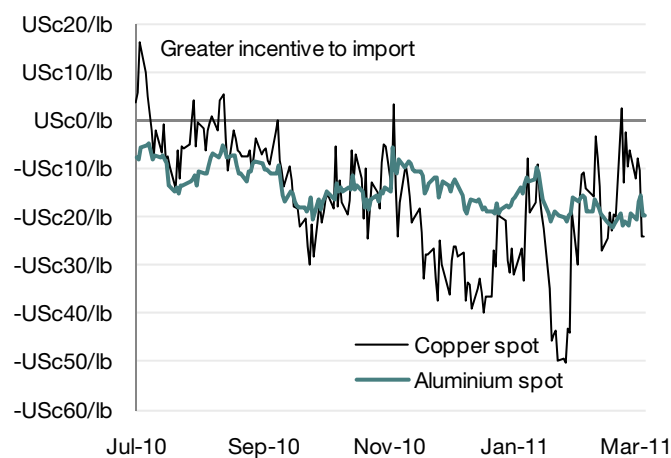
Iron ore & Steel	USD/t	% chg
Iron ore (62% Fe, cfr China)	\$163.90	0.2%
Steel Billet (LME)	\$550	0.0%

Precious Metals			% chg
Gold			
Spot (USD/oz)	\$1,404.20		0.4%
Comex (USD/oz) *	\$1,405.00		0.6%
AUD spot (AUD/oz)	\$1,432.39		0.7%
Silver (USD/oz)	\$34.33		0.3%
Platinum (USD/oz)	\$1,701.50		0.4%
Palladium (USD/oz)	\$707.50		1.3%

Oil			% chg
NYMEX light sweet crude (USD/bbl) *	\$101.42		3.5%
Brent (USD/bbl)	\$114.96		4.4%
Singapore TAPIS (USD/bbl)	\$116.73		2.3%

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

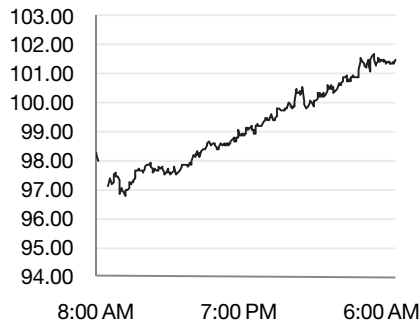
Chart of the Day: Shanghai to LME copper price arbitrage more supportive of Chinese buying



Source: SHFE, LME, Bloomberg, CBA.

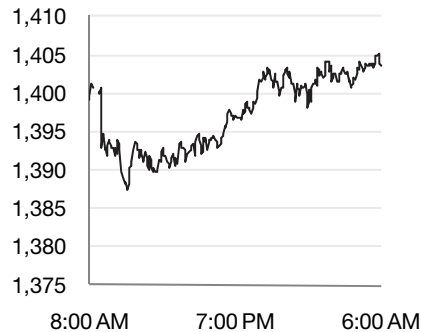


Figure 1: NYMEX light sweet crude (US/bbl) first month intraday price



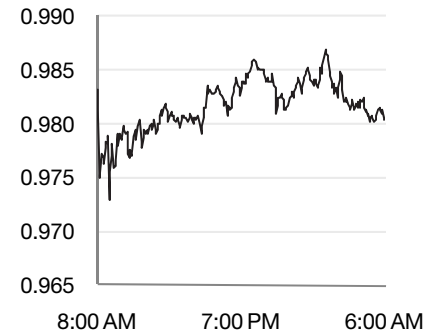
Source: Bloomberg, CBA. 5 min intervals.

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 (17-Mar)			change over						change over		
Cash	USD/t	USc/lb	day	week	month	Oil	USD/bi	day	week	month	
Aluminium	\$2,494	113	2.8%	-2.3%	0.4%	NYMEX light sweet crude **	\$101.42	3.5%	-1.2%	17.4%	
Copper	\$9,565	434	3.3%	4.3%	-2.5%	Brent (Dated)	\$114.96	4.4%	0.2%	12.2%	
Lead	\$2,665	121	2.6%	9.0%	3.1%	Singapore TAPIS	\$116.73	2.3%	-1.9%	8.3%	
Nickel	\$25,924	1,176	3.9%	-0.4%	-8.9%	Dubai	\$107.14	3.0%	-2.9%	7.8%	
Tin	\$29,385	1,333	2.8%	0.1%	-7.0%						
Zinc	\$2,311	105	2.1%	2.1%	-7.0%						
Steel Billet	\$550	na	0.0%	0.6%	0.0%						
						Refined products, Singapore					
						Gas Oil (USD/bbl) ***	\$130	1.2%	-0.5%	10.7%	
						Jet Fuel (USD/bbl)	\$131	0.8%	-0.7%	9.5%	
						Fuel Oil (USD/t) ****	\$634	-1.4%	-2.8%	4.4%	
						Currencies					
						AUD/USD (London close)	0.9805	-0.1%	-2.1%	-3.1%	
						AUD/EUR	0.6999	-1.0%	-3.4%	-6.0%	
						AUD/JPY	77.47	-1.4%	-6.8%	-8.1%	
						AUD/CNY	6.45	-0.1%	-2.1%	-3.2%	
						AUD/KOR	1,112	-0.6%	-1.3%	-1.4%	
						EUR/USD	1.4010	0.9%	1.4%	3.1%	
						Coal*	USD/t				
						Newcastle	\$129.60	~	0.1%	5.8%	
						Richards Bay	\$119.74	~	0.6%	3.7%	
						DES ARA	\$123.35	~	2.4%	4.5%	
						Iron ore & Steel	USD/t				
						Iron ore (62% Fe, cfr China)	\$163.90	0.2%	-4.0%	-14.6%	
						China domestic Rebar	\$696.48	-0.1%	0.2%	-4.5%	
						East Asia HRC (cfr) *****	\$730.00	0.0%	-1.7%	0.0%	
						US domestic HRC (US/st) *****	\$870.00	0.0%	0.6%	6.7%	
						Equity & Debt Capital Markets					
						New York (Dow Jones IA)	11,775	1.4%	-1.8%	-4.4%	
						London (FTSE 100)	5,696	1.7%	-2.6%	-6.4%	
						Europe (EuroStoxx50)	2,786	2.4%	-4.2%	-9.1%	
						Toronto (Metals & Mining)	4,275	1.6%	0.1%	-4.9%	
						Philadelphia Gold & Silver Index	202.0	1.2%	-0.4%	-4.9%	
						US 2 year bond yield	0.589%	7.5%	-7.5%	-23.1%	
						US 10 year bond yield	3.257%	2.7%	-3.1%	-8.9%	

Source: Bloomberg, globalCOAL, CBA. Data is indicative and prices subject to change. * Near Month (not adjusted for contract changes). ** Weekly, 11/03 *** Gas Oil is 0.5% sulphur. **** Fuel Oil is 180 centistoke. ***** Weekly, 15/03



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