

Gold rally continues on debt concerns

- The gold price rose again on Friday, for the tenth straight day, on continued inaction on the US debt ceiling. Gold rose 0.4% to end the week at USD 1,590.10/oz. It was up 3.1% over the week. Silver also rose 2.5% on Friday.
- US industrial production rose by 0.2% in June, in line with forecasts. CPI fell by 0.2% in June, weaker than the -0.1% consensus forecast. Excluding food and energy (core prices), CPI rose by 0.3% ahead of market forecasts. Consumer sentiment fell from 71.5 to a 2-year low of 63.8 in July.
- US treasuries rose, pushing 10-year note yields to the lowest level since December, as the European debt crisis worsened and the Federal Reserve provided clarification that there would be no immediate QE3. US 10-year yields fell by 5pts to 2.91% and US 2-year yields fell by 2pts to 0.359%.
- Base metal prices were mixed on Friday. Tin lost 0.8%, aluminium lost 0.5% and nickel eased 0.2%. Other metals rose 0.4-1.6%. Metals prices were mixed over the week. Aluminium lost 1.7% and lead fell 0.5% but other metals rose 0.1-1.5% with tin performing best.
- Benchmark crude oil prices rose on Friday on a firmer US equity market, favourable stress tests on European banks and concerns about lower Canadian oil supplies. Over the week, Nymex was 1.1% higher but Brent lost 0.9%
- China Petrochemical Corp says that China plans to increase output of coal seam methane to 21 billion cubic metres by 2015 from 8.6 billion cubic metres in 2010. China is likely to double the subsidy for coal seam methane exploration as part of a five-year plan to double production.
- Spot iron ore prices (cfr China port) rose by 0.3% on Friday. CITIC Pacific's Sino Iron project reported more timetable delays and flagged a potential cost blowout of USD900 million. First production is now expected in the first half of next year, compared to CITIC's last guidance in January of the latter part of this year. Sino Iron will be Australia's biggest and WA's first magnetite mine.

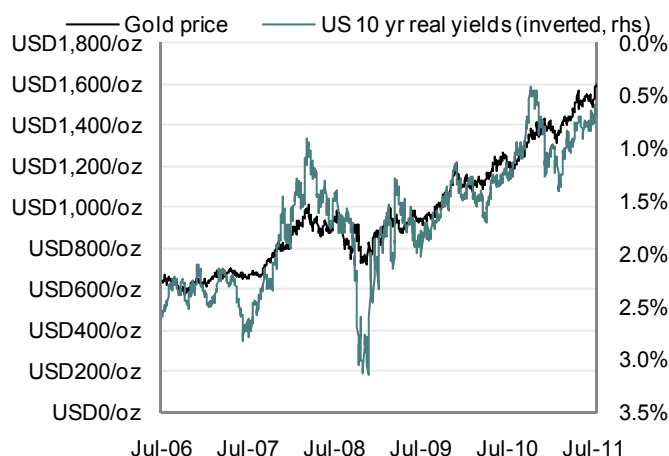
Chart of the Day: Gold prices likely to trade higher if QE3 launched

- The gold price has traded with a relatively tight correlation to the inverse of US real long-term bond yields (refer to chart). Over recent times, long-term yields have fallen due to quantitative easing and the US recession. The gold price has risen in sympathy with falling yields.
- Last week there was increasing speculation that there would be a QE3, after Federal Reserve Chairman Ben Bernanke testified that further stimulus could be provided to the economy if required. If QE3 is launched, US real long-term bond yields will likely remain muted, potentially supporting the gold price above current record levels and our forecast of USD1,386/oz for FY12.

Overnight Price Moves (full table over)		15-Jul-11	
New York (Dow Jones IA)		12,480	0.3%
London (FTSE 100)		5,844	-0.1%
AUD/USD		1.0653	-0.9%
LME Metals (15-Jul)			
	USD/t	USc/lb	% chg
Aluminium	\$2,463	112	-0.5%
Copper	\$9,651	438	0.4%
Lead	\$2,696	122	1.6%
Nickel	\$24,126	1,094	-0.2%
Tin	\$27,138	1,231	-0.8%
Zinc	\$2,349	107	1.2%
Iron ore & Steel			
	USD/t		% chg
Iron ore (62% Fe, cfr China)	\$174.60		0.3%
Steel Billet (LME)	\$590		-2.5%
Precious Metals			
Gold			
Spot (USD/oz)		\$1,593.55	0.4%
Comex (USD/oz) *		\$1,590.10	0.1%
AUD spot (AUD/oz)		\$1,496.39	1.1%
Silver (USD/oz)		\$39.31	2.5%
Platinum (USD/oz)		\$1,760.60	-0.2%
Palladium (USD/oz)		\$783.38	0.8%
Oil			
NYMEX light sweet crude (USD/bbl) *		\$97.24	1.6%
Brent (USD/bbl)		\$117.72	0.7%
Singapore TAPIS (USD/bbl)		\$123.95	-2.2%

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

Chart of the Day: Gold prices likely to trade higher if QE3 launched



Source: Bloomberg, CBA



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

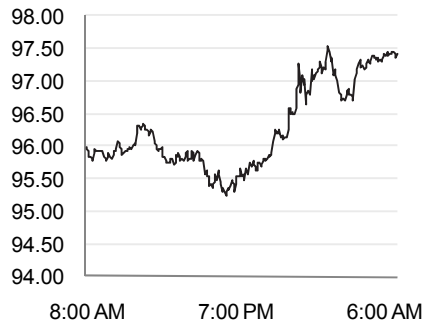


Figure 2: Gold (spot, US/oz) intraday price

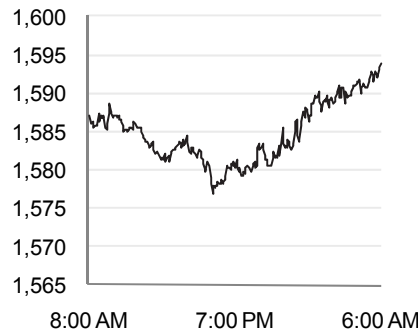
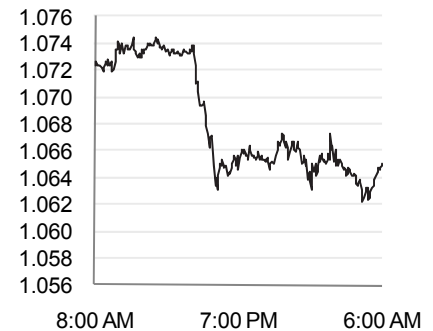


Figure 3: Australian dollar (USD/AUD) intraday price



Source: Bloomberg, CBA. 5 min intervals.

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Overnight Market Price Snapshot

LME Metals (15-Jul)			change over						change over		
Cash	USD/t	USc/lb	day	week	month	Oil	USD/bl	day	week	month	
Aluminium	\$2,463	112	-0.5%	-1.7%	-2.1%	NYMEX light sweet crude **	\$97.24	1.6%	1.1%	4.5%	
Copper	\$9,651	438	0.4%	0.1%	6.2%	Brent (Dated)	\$117.72	0.7%	-0.1%	3.7%	
Lead	\$2,696	122	1.6%	-0.5%	10.8%	Singapore TAPIS	\$123.95	-2.2%	-1.0%	2.3%	
Nickel	\$24,126	1,094	-0.2%	1.1%	11.7%	Dubai	\$109.79	-1.5%	-1.0%	2.9%	
Tin	\$27,138	1,231	-0.8%	1.5%	8.8%	Refined products, Singapore					
Zinc	\$2,349	107	1.2%	0.8%	8.5%	Gas Oil (USD/bbl) ***	\$128	-1.4%	-1.2%	2.8%	
Steel Billet	\$590	na	-2.5%	-0.8%	3.3%	Jet Fuel (USD/bbl)	\$129	-1.5%	-1.1%	2.1%	
Futures (3 mth)						Fuel Oil (USD/t) ****	\$666	-0.6%	-1.0%	3.3%	
Aluminium	\$2,494	113	-0.5%	-1.6%	-2.0%	Currencies					
Copper	\$9,672	439	0.4%	0.1%	6.3%	AUD/USD (London close)	1.0653	-0.9%	-0.9%	0.3%	
Lead	\$2,708	123	1.6%	-0.4%	10.5%	AUD/EUR	0.7525	-0.7%	-0.2%	1.6%	
Nickel	\$24,155	1,096	-0.2%	1.1%	11.7%	AUD/JPY	84.28	-0.8%	-2.8%	-0.9%	
Tin	\$27,200	1,234	-0.8%	1.5%	8.8%	AUD/CNY	6.89	-0.8%	-1.0%	0.1%	
Zinc	\$2,378	108	1.2%	0.9%	8.7%	AUD/KOR	1,129	-0.6%	-0.8%	-1.6%	
Steel Billet	\$570	na	-0.9%	-1.7%	1.8%	EUR/USD	1.4157	-0.2%	-0.8%	-0.9%	
Stocks			tonnes			Coal*					
Aluminium	4,412,175	1,525	-28,050	-190,250	USD/t						
Copper	462,025	0	175	-8,800	New castle						
Lead	307,850	1,700	-450	-14,850	Richards Bay						
Nickel	103,194	-450	-1,176	-8,202	DES ARA						
Tin	21,305	380	-585	-965							
Zinc	891,350	-2,625	11,625	23,100	Iron ore & Steel						
Steel Billet	46,280	-1,040	7,670	3,055	USD/t						
Precious Metals						Iron ore (62% Fe, cfr China)					
Gold	USD/oz (unless stated otherwise)					China domestic Rebar					
Spot	\$1,593.55	0.4%	3.2%	3.5%	East Asia HRC (cfr) *****						
Comex *	\$1,590.10	0.1%	3.1%	3.3%	US domestic HRC (US/st) *****						
AUD spot (AUD/oz)	\$1,496.39	1.1%	4.2%	3.2%							
Silver	\$39.31	2.5%	7.1%	9.6%							
Platinum	\$1,760.60	-0.2%	1.3%	0.2%							
Palladium	\$783.38	0.8%	0.7%	5.0%							
Natural Gas						Equity & Debt Capital Markets					
Henry Hub (USD/MMBtu) **	\$4.546	3.8%	8.1%	5.1%	New York (Dow Jones IA)						
British NBP (GBP/therm) **	54.61	0.1%	-2.7%	-5.7%	London (FTSE 100)						
						Europe (EuroStoxx50)					
						Toronto (Metals & Mining)					
						Philadelphia Gold & Silver Index					
						US 2 year bond yield					
						US 10 year bond yield					

Source: Bloomberg, globalCOAL, CBA. Data is indicative and prices subject to change. * Near Month (not adjusted for contract changes). ** Weekly, 15/07

*** Gas Oil is 0.5% sulphur. **** Fuel Oil is 180 centistoke. ***** Weekly, 12/07



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