



## EU bond market dislocating

- Investors dumped risky assets after bond auctions in Spain and France saw yields rise significantly. In fact the Spanish 10yr bond auction recorded the highest borrowing costs since 1997. Refer to chart of the day for more discussion. In China the Commerce Ministry cautioned that the country's export outlook could be weak for the next few months as Europe struggles to contain its crisis.
- US Philadelphia Fed factory activity fell from 8.7 to 3.6 in November. The result was below economist expectations of a result around 8.0. On a positive note the more forward looking indicator of business conditions six-months from now rose sharply from 27.2 to 41.9 - the highest reading in almost 7 years. US building permits rose to 653,000 in October, well ahead of forecasts for 603,000, while housing starts in October were 628,000, ahead of forecasts for 610,000 starts, but lower than September's 658,000 starts.
- Base metals ended mostly 0.7-2.8% lower, except for nickel which ended flat, while gold and silver were carted. Increased demand for US dollars as safe haven created headwinds for metal prices.
- Crude oil benchmarks fell on renewed growth concerns.
- Spot iron ore edged higher again, closing at USD 147.60/t. Taiwan's China Steel Corporation is cutting hot metal output 15-20% and asking coking coal and iron ore suppliers to delay deliveries 7-10 days. The cuts are in place until the end of March but could be extended if demand remains weak.

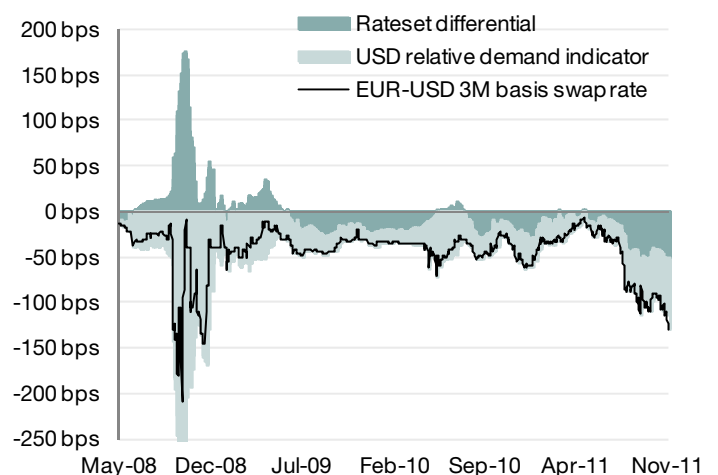
## Chart of the Day: Eurozone banking system most stressed since Lehman collapse in 2008

- The European banking system is coming under increasing stress. EU sovereign bond markets are becoming increasingly dislocated, as evidenced by the sharp increases in yields on primary and secondary sovereign bond issuance by Spain, France and others. This reinforces the difficulty of quarantining periphery sovereigns from the core countries to avoid sovereign debt contagion.
- The Euro to US dollar 3 month basis swap – a measure of relative interbank borrowing stress – shows that relative demand for US dollars is more elevated now than at any time since the Lehman collapse in 2008. While the five major central banks continue to provide as much US dollar liquidity as the banks need, we understand that interbank lending is becoming increasingly dislocated as banks reduce counter party exposures.
- We have argued that the number one risk to the 1-2 year commodity outlook is an uncontained European banking crisis, leading to a banking and global supply chain stop. We don't think we are contemplating this scenario just yet, but the escalation of EU banking stresses this week, plus weaker trade growth in a number of economies, including throughout Asia, suggests that the likelihood of this scenario eventuating is increasing.

Overnight Price Moves (full table over)		17-Nov-11	
New York (Dow Jones IA)		11,771	-1.1%
London (FTSE 100)		5,423	-1.6%
AUD/USD (as at 18-Nov-11)		0.9995	-0.1%
<b>LME Metals (17-Nov)</b>			
	USD/t	USc/lb	% chg
Aluminium	\$2,073	94	-2.8%
Copper	\$7,518	341	-2.5%
Lead	\$1,990	90	-0.7%
Nickel	\$18,184	825	0.0%
Tin	\$21,327	967	-1.7%
Zinc	\$1,917	87	-1.8%
<b>Iron ore &amp; Steel</b>			
	USD/t		% chg
Iron ore (62% Fe, cfr China)	\$147.60		0.3%
Steel Billet (LME)	\$525		0.0%
<b>Precious Metals</b>			
Gold			
Spot (USD/oz)	\$1,718.93		-2.5%
Comex (USD/oz) *	\$1,719.60		-3.1%
AUD spot (AUD/oz)	\$1,718.59		-1.2%
Silver (USD/oz)	\$31.62		-6.3%
Platinum (USD/oz)	\$1,582.50		-2.3%
Palladium (USD/oz)	\$606.50		-6.7%
<b>Oil</b>			
NYMEX light sweet crude (USD/bbl) *	\$98.82		-3.7%
Brent (USD/bbl)	\$107.77		-3.0%
Singapore TAPIS (USD/bbl)	\$120.48		-0.6%

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

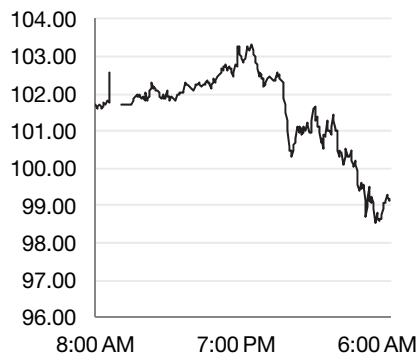
## Chart of the Day: Eurozone banking system most stressed since Lehman's collapse in 2008



Source: Bloomberg, CBA



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



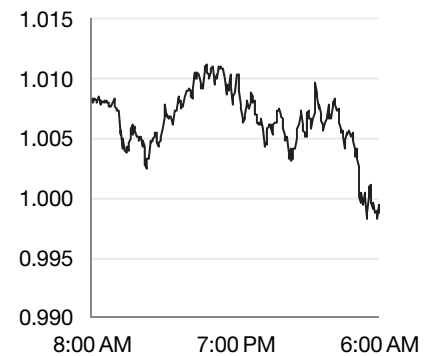
Source: Bloomberg, CBA. 5 min intervals.

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-Nov)

Cash	USD/t	USc/lb	change over		
			day	week	month
Aluminium	\$2,073	94	-2.8%	-2.3%	0.5%
Copper	\$7,518	341	-2.5%	0.8%	11.8%
Lead	\$1,990	90	-0.7%	3.8%	12.7%
Nickel	\$18,184	825	0.0%	0.2%	1.2%
Tin	\$21,327	967	-1.7%	0.7%	0.8%
Zinc	\$1,917	87	-1.8%	1.8%	11.4%
Steel Billet	\$525	na	0.0%	0.0%	-2.4%

## Futures (3 mth)

Aluminium	\$2,094	95	-2.9%	-2.1%	0.4%
Copper	\$7,540	342	-2.5%	0.8%	12.0%
Lead	\$2,014	91	-0.8%	3.7%	12.5%
Nickel	\$18,150	823	0.1%	0.0%	0.8%
Tin	\$21,350	968	-1.6%	0.7%	0.7%
Zinc	\$1,927	87	-1.7%	2.0%	10.7%
Steel Billet	\$535	na	0.0%	0.0%	0.9%

## Stocks

	tonnes				
Aluminium	4,561,050	75	24,175	-8,825	
Copper	399,625	-1,300	-10,400	-51,225	
Lead	375,800	-4,500	-2,975	-12,125	
Nickel	83,220	-378	-60	-5,268	
Tin	14,145	-165	-840	-3,655	
Zinc	751,825	-4,000	-5,100	-40,825	
Steel Billet	58,630	-260	-2,080	-3,900	

## Precious Metals

	USD/oz (unless stated otherwise)			
Gold Spot	\$1,718.93	-2.5%	-2.2%	6.1%
Comex *	\$1,719.60	-3.1%	-2.3%	6.7%
AUD spot (AUD/oz)	\$1,718.59	-1.2%	-0.7%	8.1%
Silver	\$31.62	-6.3%	-7.2%	3.3%
Platinum	\$1,582.50	-2.3%	-2.6%	5.9%
Palladium	\$606.50	-6.7%	-6.4%	3.2%

## Natural Gas

Henry Hub (USD/MMBtu) **	\$3.453	3.3%	-5.4%	-4.9%
British NBP (GBP/therm) **	61.45	-1.6%	-3.6%	-2.5%

Oil	USD/bbl	change over		
		day	week	month
NYMEX light sweet crude **	\$98.82	-3.7%	1.1%	15.8%
Brent (Dated)	\$107.77	-3.0%	-4.4%	-2.8%
Singapore TAPIS	\$120.48	-0.6%	-1.6%	1.5%
Dubai	\$110.02	-0.7%	0.4%	4.3%

## Refined products, Singapore

Gas Oil (USD/bbl) ***	\$131	-0.6%	0.8%	7.7%
Jet Fuel (USD/bbl)	\$130	-0.5%	0.9%	4.9%
Fuel Oil (USD/t) ****	\$696	-1.3%	-2.5%	5.7%

## Currencies (as at 18-Nov-11)

AUD/USD (London close)	0.9995	-0.1%	-1.6%	-2.0%
AUD/EUR	0.7426	0.0%	-0.5%	-0.2%
AUD/JPY	77.010	-1.4%	-2.3%	-1.8%
AUD/CNY	6.353	-1.2%	-1.5%	-2.4%
AUD/KOR	1,137	-1.0%	-1.1%	-2.6%
EUR/USD	1.347	-0.4%	-1.0%	-1.7%

## Coal\*

	USD/t			
Newcastle	\$115.40	~	-1.3%	-4.5%
Richards Bay	\$106.94	~	-1.4%	-4.6%
DES ARA	\$116.79	~	-0.9%	-5.4%

## Iron ore &amp; Steel

	USD/t			
Iron ore (62% Fe, cfr China)	\$147.60	0.3%	9.5%	1.2%
China domestic Rebar	\$667.56	-0.1%	0.9%	0.8%
East Asia HRC (cfr) *****	\$630.00	0.0%	0.0%	-8.0%
US domestic HRC (US/st) *****	\$640.00	0.0%	0.0%	-3.8%

## Equity &amp; Debt Capital Markets

New York (Dow Jones IA)	11,771	-1.1%	-1.0%	2.0%
London (FTSE 100)	5,423	-1.6%	-0.4%	0.7%
Europe (EuroStoxx50)	2,243	-1.1%	-0.5%	-1.3%
Toronto (Metals & Mining)	4,032	-3.9%	-5.7%	9.1%
Philadelphia Gold & Silver Index	197.8	-3.6%	-3.8%	9.0%
US 2 year bond yield	0.264%	8.2%	13.8%	0.0%
US 10 year bond yield	1.968%	-1.6%	-4.4%	-10.1%

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



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