



Risk aversion returns, metals fall

- US consumer confidence rose from 64.8 to 70.4 in February - the highest reading in three years and ahead of analyst expectations. The expectations index rose to 95.1 its highest level since December 2006. The S&P/Case Shiller home price composite index of 20 metropolitan areas declined 0.4% in December - marking the sixth consecutive monthly decline. The broader S&P/Case Shiller US house price index finished 4.1% lower over the year to December. The Richmond Fed manufacturing index in February rose to 25 from 18 in January, well ahead of expectations for a flat result. The US dollar rose on safe haven demand.
- Base metals ended 0.6%-3.6% lower overnight with copper and aluminium closing 1.8% and 2.1% lower respectively. Heightened risk aversion, a stronger US dollar and concerns that high oil prices will undermine economic recovery weighed on market sentiment. Spot gold prices eased as the US dollar strengthened.
- US crude oil (March future contract) prices finished 8.6% above Friday's close as markets responded to the escalation in Middle East civil unrest. But UK Brent fell 1.8%. Libya has declared force majeure on all oil exports, and up to 8% of their 1.6mnb/d production has shut, according to unconfirmed reports. The larger risk to oil markets is the capacity for contagion to spread to much larger Middle East & North African suppliers.
- Vale's Zogota iron ore mine in Guinea will start production at 15Mtpa capacity in 2012, according to the company. Stage 2 will see production ramp up to 50Mtpa by 2020.
- India has asked Qatar to double LNG exports to 15Mtpa. Any increase in Qatari LNG exports to India will help tighten global LNG markets into mid-decade and provide additional off-take opportunities for new projects.

Chart of the Day: A sliding US dollar boosted copper prices, what if the US dollar strengthens?

- The stellar increase in copper prices in recent months has at least been partly related to a weaker US dollar. As the US dollar weakens, the purchasing power of non-USD denominated buyers improves, thereby bidding up the copper price. This relationship holds through time. Copper prices and the US dollar index have a correlation of negative 0.607 over the last six years. In other words, a falling US dollar is statistically associated with higher copper prices.
- While a number of factors affect copper prices, if the US dollar was to strengthen at some point over the next 6-12 months - as we expect - then copper prices could be expected to come under pressure. We currently expect a recovering US economy to result in a firmer US dollar from mid-late 2011, and with it, some weakness in copper prices.

Overnight Price Moves (full table over)	22-Feb-11	
New York (Dow Jones IA)	12,190	-1.6%
London (FTSE 100)	5,997	-0.3%
AUD/USD	0.9985	-1.0%

LME Metals (22-Feb)	USD/t	USc/lb	% chg
Aluminium	\$2,478	112	-2.1%
Copper	\$9,655	438	-1.8%
Lead	\$2,563	116	-3.6%
Nickel	\$28,865	1,309	-0.6%
Tin	\$31,750	1,440	-2.0%
Zinc	\$2,491	113	-2.1%

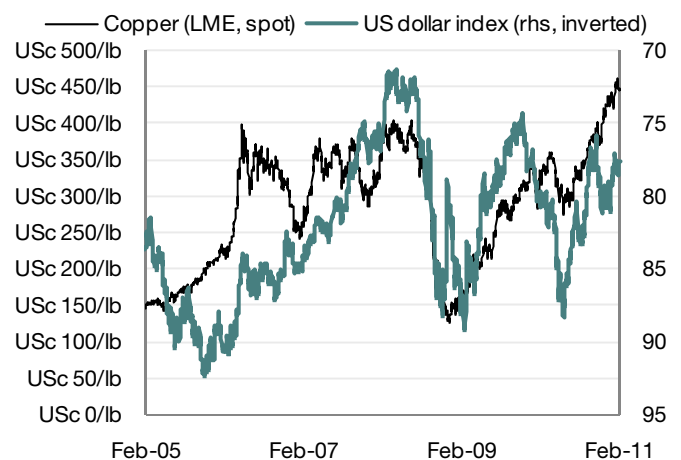
Iron ore & Steel	USD/t	% chg
Iron ore (62% Fe, cfr China)	\$188.30	-0.5%
Steel Billet (LME)	~	~

Precious Metals		
Gold		
Spot (USD/oz)	\$1,398.40	-0.6%
Comex (USD/oz) *	\$1,400.50	~
AUD spot (AUD/oz)	\$1,401.72	0.7%
Silver (USD/oz)	\$33.10	-2.3%
Platinum (USD/oz)	\$1,788.75	-3.4%
Palladium (USD/oz)	\$805.25	-6.2%

Oil		
NYMEX light sweet crude (USD/bbl) *	\$93.57	~
Brent (USD/bbl)	\$105.52	-1.8%
Singapore TAPIS (USD/bbl)	\$110.71	3.2%

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

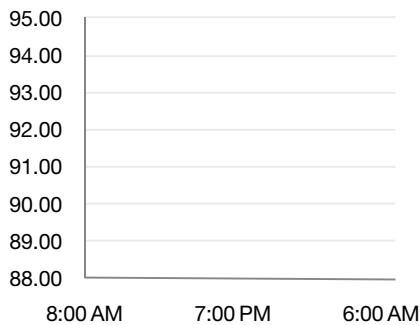
Chart of the Day: A sliding US dollar has boosted copper prices – what if the US dollar strengthens?



Source: Bloomberg, CBA.

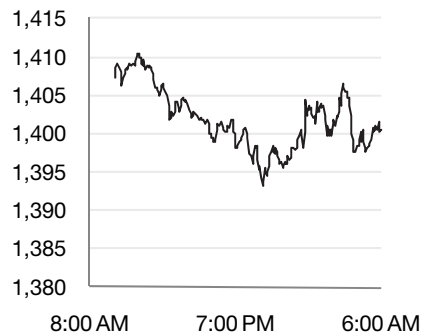


Figure 1: NYMEX light sweet crude (US/bbl) first month intraday price



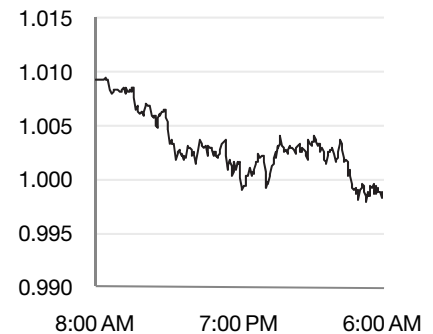
Source: Bloomberg, CBA. 5 min intervals.

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 (22-Feb)			change over						change over		
Cash	USD/t	USc/lb	day	week	month	Oil	USD/bi	day	week	month	
Aluminium	\$2,478	112	-2.1%	-0.2%	5.0%	NYMEX light sweet crude **	\$93.57	~	11.0%	8.6%	
Copper	\$9,655	438	-1.8%	-4.5%	3.5%	Brent (Dated)	\$105.52	-1.8%	4.3%	11.5%	
Lead	\$2,563	116	-3.6%	-3.4%	1.1%	Singapore TAPIS	\$110.71	3.2%	3.0%	10.2%	
Nickel	\$28,865	1,309	-0.6%	-0.1%	12.1%	Dubai	\$103.35	2.9%	4.4%	12.6%	
Tin	\$31,750	1,440	-2.0%	-2.5%	12.6%						
Zinc	\$2,491	113	-2.1%	-0.2%	11.8%						
Steel Billet	~	na	~	~	~						
						Refined products, Singapore					
						Gas Oil (USD/bbl) ***	\$120	2.4%	3.0%	11.4%	
						Jet Fuel (USD/bbl)	\$124	2.7%	4.2%	12.2%	
						Fuel Oil (USD/t) ****	\$629	3.0%	2.6%	17.0%	
						Currencies					
						AUD/USD (London close)	0.9985	-1.0%	-0.1%	0.5%	
						AUD/EUR	0.7310	-0.9%	-1.2%	0.4%	
						AUD/JPY	82.57	-1.5%	-1.4%	0.9%	
						AUD/CNY	6.57	-0.8%	-0.3%	0.5%	
						AUD/KOR	1,132	0.2%	0.8%	1.6%	
						EUR/USD	1.3659	-0.1%	1.0%	0.1%	
						Coal*	USD/t				
						Newcastle	\$126.64	~	3.4%	-2.9%	
						Richards Bay	\$118.07	~	2.3%	-2.2%	
						DES ARA	\$116.88	~	-1.0%	-5.2%	
						Iron ore & Steel	USD/t				
						Iron ore (62% Fe, cfr China)	\$188.30	-0.5%	-1.2%	1.6%	
						China domestic Rebar	\$724.81	-0.2%	-0.7%	1.6%	
						East Asia HRC (cfr) *****	\$732.50	0.3%	0.3%	2.4%	
						US domestic HRC (US/st) *****	\$845.00	3.7%	3.7%	5.0%	
						Equity & Debt Capital Markets					
						New York (Dow Jones IA)	12,190	~	-0.3%	1.8%	
						London (FTSE 100)	5,997	-0.3%	-0.7%	1.3%	
						Europe (EuroStoxx50)	2,983	-1.0%	-1.6%	0.9%	
						Toronto (Metals & Mining)	4,433	~	-1.2%	6.5%	
						Philadelphia Gold & Silver Index	210.2	~	0.2%	6.8%	
						US 2 year bond yield	0.694%	-8.6%	-15.7%	19.7%	
						US 10 year bond yield	3.461%	-3.6%	-4.0%	3.9%	

Source: Bloomberg, globalCOAL, CBA. Data is indicative and prices subject to change. * Near Month (not adjusted for contract changes). ** Weekly, 18/02 *** Gas Oil is 0.5% sulphur. **** Fuel Oil is 180 centistoke. ***** Weekly, 22/02



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