



Risk trimmed on Greece downgrade

- Ratings agency Fitch cut Greece's credit rating by three notches to B+. Fitch also issued a negative outlook and commented that "the ratings downgrade reflects the scale of the challenge facing Greece in implementing a radical fiscal and structural reform programme...". Germany's producer price index rose 1% in April to be 6.4% higher over the year, ahead of estimates for a 0.6% gain. Industrial orders rose much more strongly than expected in Italy in March, and were over 21% higher yoy in the month. Eurozone consumer confidence came in at -9.7 in May, better than the -12 expected.
- Base metals ended mostly higher on Friday, with only nickel and tin finishing in the red. Copper rose 1.4% as evidence mounted of improving Chinese demand. Shanghai Futures Exchange copper stocks fell 14.6% over the week. The gold price finished 1.1-1.3% higher on renewed safe haven demand as European sovereign debt concerns intensified following Greece's downgrade.
- Crude oil prices ended higher on the day despite a volatile trading session. The American Petroleum Institute reported that US oil demand in April was 5.3% higher than last year as recovering economic growth spurred distillate consumption higher. The US driving season kicks off on the Memorial Day holiday on 30 May. Demand will need to be firm as a number of refineries are coming back on line after outages related to maintenance.
- Iron ore prices (spot, delivered China) slipped another 0.5% Friday to USD174.50/t as Chinese buyers continued to wait on the sidelines. Despite the overturn of the export ban in India's Karnataka State, we understand that Indian export supply remains relatively tight.
- ArcelorMittal plans to spend CAD2.1b (USD2.2b) to expand its Mont-Wright iron ore mining complex and Port-Cartier in Canada from 14Mtpa to 24Mtpa. The expansion's capital intensity of over USD200 per annual tonne capacity continues the theme of strong capital cost increases across the industry and across countries.

Chart of the Day: China spurs higher gold investment demand in the March quarter

- The World Gold Council reported total gold demand of 981.3 tonnes in the March quarter, up 100 tonnes on the March quarter 2010. Much of the increase was due to stronger investment demand, and much of that in turn was driven out of China.
- Total Chinese investment demand was 90.9 tonnes in the March quarter, more than double the 40.7 tonnes in March 2010. Negative real savings rates (refer to chart) continue to support investment demand in alternate assets, such as gold. China's inflation needs to slow – which we expect – and nominal savings rates rise, for this to reverse.

Overnight Price Moves (full table over)	20-May-11	
New York (Dow Jones IA)	12,512	-0.7%
London (FTSE 100)	5,948	-0.1%
AUD/USD	1.0660	0.2%

LME Metals (20-May)	USD/t	US\$/lb	% chg
Aluminium	\$2,490	113	0.3%
Copper	\$9,050	410	1.4%
Lead	\$2,518	114	1.4%
Nickel	\$23,525	1,067	-0.1%
Tin	\$27,702	1,257	-1.8%
Zinc	\$2,131	97	0.8%

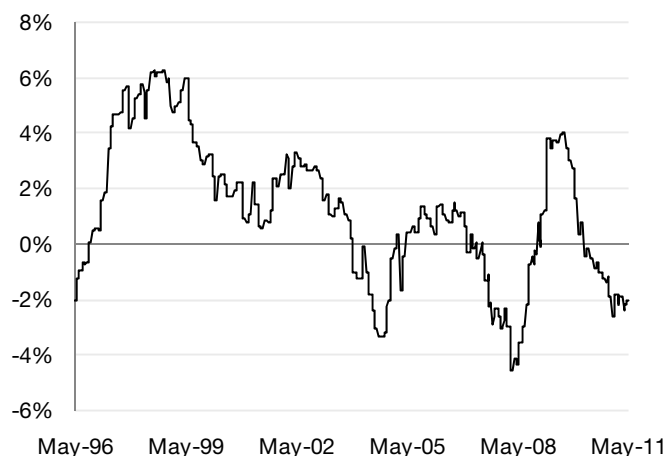
Iron ore & Steel	USD/t	% chg
Iron ore (62% Fe, cfr China)	\$174.50	-0.5%
Steel Billet (LME)	\$561	1.0%

Precious Metals			% chg
Gold			
Spot (USD/oz)	\$1,512.30		1.3%
Comex (USD/oz) *	\$1,508.90		1.1%
AUD spot (AUD/oz)	\$1,417.98		1.3%
Silver (USD/oz)	\$35.08		0.2%
Platinum (USD/oz)	\$1,773.00		0.4%
Palladium (USD/oz)	\$736.00		1.2%

Oil			% chg
NYMEX light sweet crude (USD/bbl) *	\$99.49		1.1%
Brent (USD/bbl)	\$112.78		0.9%
Singapore TAPIS (USD/bbl)	\$119.37		0.0%

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

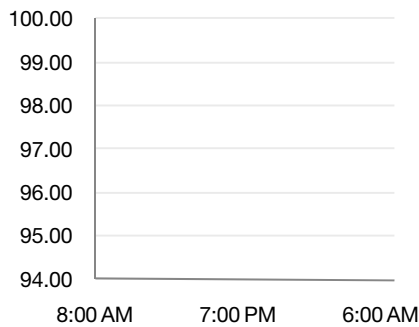
Chart of the Day: China real household 1-year deposit rates



Source: PBoC, Bloomberg, CBA.

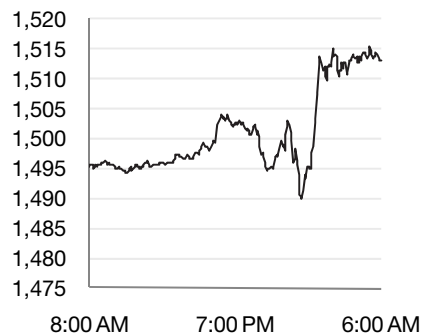


Figure 1: NYMEX light sweet crude (US/bbl) first month intraday price



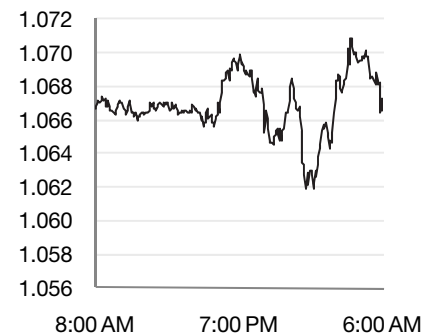
Source: Bloomberg, CBA. 5 min intervals.

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 (20-May)

	USD/t	USc/lb	change over		
			day	week	month
Cash					
Aluminium	\$2,490	113	0.3%	-3.9%	-8.9%
Copper	\$9,050	410	1.4%	3.2%	-6.5%
Lead	\$2,518	114	1.4%	9.4%	-4.4%
Nickel	\$23,525	1,067	-0.1%	-3.6%	-12.5%
Tin	\$27,702	1,257	-1.8%	-3.0%	-15.2%
Zinc	\$2,131	97	0.8%	-0.2%	-9.1%
Steel Billet	\$561	na	1.0%	3.8%	5.2%

Futures (3 mth)

Aluminium	\$2,500	113	0.0%	-2.6%	-8.9%
Copper	\$9,071	411	1.4%	3.2%	-6.5%
Lead	\$2,510	114	1.5%	9.6%	-3.5%
Nickel	\$23,540	1,068	-0.1%	-3.5%	-12.5%
Tin	\$27,750	1,259	-1.8%	-3.0%	-15.2%
Zinc	\$2,151	98	0.7%	-0.1%	-8.9%
Steel Billet	\$541	na	-0.8%	1.0%	-0.8%

Stocks

	tonnes				
Aluminium	4,708,750	-1,075	85,925	105,675	
Copper	466,250	-775	-2,275	9,975	
Lead	317,800	925	1,275	13,175	
Nickel	113,568	-402	-834	-4,374	
Tin	22,405	-10	270	2,220	
Zinc	851,850	-275	20,600	37,550	
Steel Billet	39,845	-650	-12,350	-18,460	

Precious Metals

	USD/oz (unless stated otherwise)			
Gold				
Spot	\$1,512.30	1.3%	1.2%	0.4%
Comex *	\$1,508.90	1.1%	1.0%	~
AUD spot (AUD/oz)	\$1,417.98	1.3%	0.3%	1.0%
Silver	\$35.08	0.2%	-0.9%	-25.8%
Platinum	\$1,773.00	0.4%	0.5%	-2.7%
Palladium	\$736.00	1.2%	3.9%	-4.1%

Natural Gas

Henry Hub (USD/MMBtu) **	\$4.230	3.3%	-0.4%	~
British NBP (GBP/therm) **	57.55	-0.4%	1.0%	~

Oil	USD/bi	change over		
		day	week	month
NYMEX light sweet crude **	\$99.49	1.1%	-0.2%	~
Brent (Dated)	\$112.78	0.9%	-0.9%	~
Singapore TAPIS	\$119.37	0.0%	-0.9%	-8.5%
Dubai	\$106.42	-0.5%	-0.8%	-9.0%

Refined products, Singapore

Gas Oil (USD/bbl) ***	\$124	0.1%	-0.6%	-10.4%
Jet Fuel (USD/bbl)	\$125	-0.1%	-1.1%	-10.1%
Fuel Oil (USD/t) ****	\$639	-0.2%	-0.7%	-6.6%

Currencies

AUD/USD (London close)	1.0660	0.2%	0.8%	-0.7%
AUD/EUR	0.7529	1.3%	0.5%	2.1%
AUD/JPY	87.10	0.2%	2.0%	-0.9%
AUD/CNY	6.92	0.0%	0.7%	-0.9%
AUD/KOR	1,155	0.3%	-0.2%	-0.6%
EUR/USD	1.4161	-1.0%	0.8%	-2.7%

Coal*

	USD/t			
Newcastle	\$116.80	~	-1.6%	-3.9%
Richards Bay	\$119.59	~	-1.3%	-3.0%
DES ARA	\$121.94	~	0.3%	-4.4%

Iron ore & Steel

	USD/t			
Iron ore (62% Fe, cfr China)	\$174.50	-0.5%	-2.4%	~
China domestic Rebar	\$739.37	0.2%	0.1%	3.0%
East Asia HRC (cfr) *****	\$725.00	0.0%	0.0%	0.0%
US domestic HRC (US/st) *****	\$832.50	0.0%	-2.6%	-4.0%

Equity & Debt Capital Markets

New York (Dow Jones IA)	12,512	-0.7%	-0.7%	~
London (FTSE 100)	5,948	-0.1%	0.4%	~
Europe (EuroStoxx50)	2,854	-1.3%	-1.4%	~
Toronto (Metals & Mining)	4,212	0.8%	3.6%	~
Philadelphia Gold & Silver Index	199.3	0.4%	2.1%	~
US 2 year bond yield	0.513%	-2.5%	-4.1%	-21.8%
US 10 year bond yield	3.146%	-0.8%	-0.8%	-7.3%

Source: Bloomberg, globalCOAL, CBA. Data is indicative and prices subject to change. * Near Month (not adjusted for contract changes). ** Weekly, 20/05
 *** Gas Oil is 0.5% sulphur. **** Fuel Oil is 180 centistoke. ***** Weekly, 17/05



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