

US Fed – ‘Never say never’ to QE3

- The US dollar tumbled on Thursday, as St. Louis Fed President James Bullard commented that the Fed can "never say never" to another round of quantitative easing. Further monetisation of US government debt would boost liquidity and likely support commodity prices, if enacted.
- US initial jobless claims fell by 22,000 to 391,000 in the last week. US new home sales fell 12.6% to 284,000 in January. The weakness in sales follows the expiry of the government tax credit in December. US durable goods orders rose by 2.7% in January. However excluding transportation, orders fell 3.6% - marking the biggest fall in two years. Euro-zone economic confidence rose to 107.8 from 106.5 in January and 106.8 forecast by markets. Industrial and consumer confidence both improved but the business climate indicator unexpectedly fell.
- Base metal prices ended mostly lower on the official LME close despite a weaker US dollar in support of the bid. Sentiment remains spooked by the potential for high oil prices to undermine global economic recovery and commodity demand. Gold prices were weak in the face of the weaker tone of the US dollar – COMEX ended slightly higher but spot at time of writing was almost 1% lower.
- Oil prices ended slightly lower after a very volatile session. Fears of MENA unrest constraining supply were eased when Saudi Arabia said they are ready and have capacity to replace any lost Libyan or Algerian supply, while the International Energy Agency said it stands ready to release emergency stocks into the market if needed.
- Spot iron ore prices (delivered China port) slipped again as buyers remained on the sidelines, choosing to draw down stocks instead.

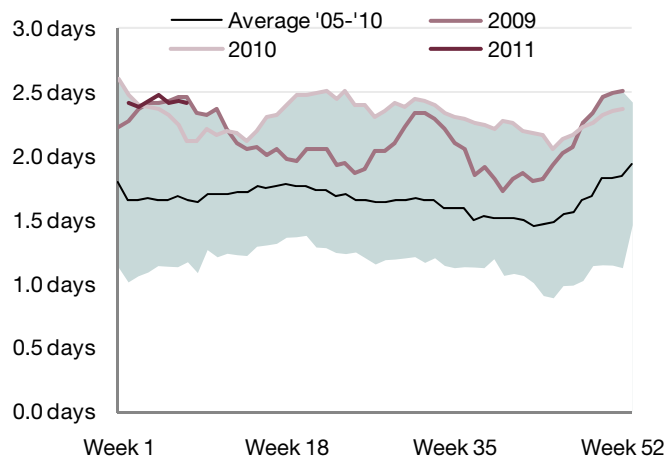
Chart of the Day: US weekly crude oil stocks rise less than expected

- Latest US crude oil inventory data showed a larger than expected fall in distillate stocks, a large fall in gasoline stocks against expectations for an increase, while total crude stocks rose by less than forecast. An unexpected fall in refinery run rates aided the decline in gasoline stocks. Meanwhile, stocks at Cushing, Oklahoma, fell slightly but remain at six year highs when measured in days of consumption (refer to chart).
- The unrelenting build in Cushing stocks, from 13.4mnbbls in November 2007 to 37.4mnbbls now reflects new sources of supply – particularly pipeline imports from Canada. But it also reflects speculation as cheap finance has allowed traders to store crude oil in anticipation of higher future prices. For the WTI to Brent discount to narrow, US inventories will need to show sustained falls in our view.

Overnight Price Moves (full table over)		24-Feb-11	
New York (Dow Jones IA)		12,072	-0.3%
London (FTSE 100)		5,920	-0.1%
AUD/USD		1.0087	0.9%
LME Metals (24-Feb)			
	USD/t	US\$/lb	% chg
Aluminium	\$2,491	113	0.1%
Copper	\$9,440	428	-0.5%
Lead	\$2,485	113	-2.4%
Nickel	\$27,680	1,256	-2.2%
Tin	\$31,150	1,413	-1.2%
Zinc	\$2,426	110	-1.0%
Iron ore & Steel			
	USD/t		% chg
Iron ore (62% Fe, cfr China)		\$184.10	-0.4%
Steel Billet (LME)		~	~
Precious Metals			
Gold			
Spot (USD/oz)		\$1,398.95	-0.9%
Comex (USD/oz) *		\$1,415.30	0.1%
AUD spot (AUD/oz)		\$1,385.15	-1.7%
Silver (USD/oz)			
		\$32.22	-4.0%
Platinum (USD/oz)			
		\$1,780.50	-0.2%
Palladium (USD/oz)			
		\$774.00	-0.6%
Oil			
NYMEX light sweet crude (USD/bbl) *			
		\$97.29	-0.8%
Brent (USD/bbl)			
		\$111.39	-0.4%
Singapore TAPIS (USD/bbl)			
		\$120.39	9.0%

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

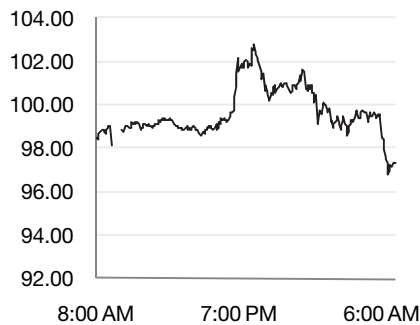
Chart of the Day: US Cushing crude oil stocks



Source: US DOE, Bloomberg, CBA. Note: 'days consumption' is calculated as Cushing stocks against total US crude demand.

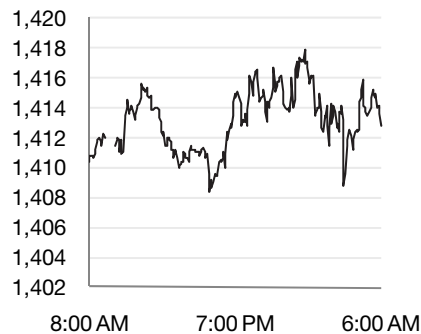


Figure 1: NYMEX light sweet crude (US/bbl) first month intraday price



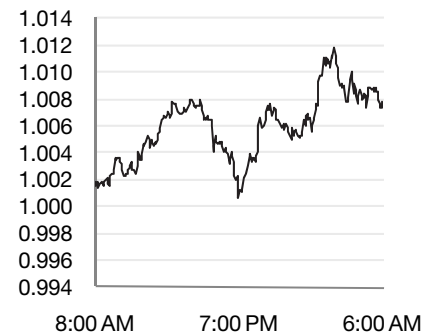
Source: Bloomberg, CBA. 5 min intervals.

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 (24-Feb)			change over						change over		
Cash	USD/t	USc/lb	day	week	month	Oil	USD/bi	day	week	month	
Aluminium	\$2,491	113	0.1%	0.7%	4.2%	NYMEX light sweet crude **	\$97.29	-0.8%	12.7%	13.6%	
Copper	\$9,440	428	-0.5%	-3.7%	-0.5%	Brent (Dated)	\$111.39	-0.4%	8.7%	15.4%	
Lead	\$2,485	113	-2.4%	-3.9%	-0.2%	Singapore TAPIS	\$120.39	9.0%	11.7%	18.5%	
Nickel	\$27,680	1,256	-2.2%	-2.2%	3.3%	Dubai	\$113.60	9.3%	14.3%	21.5%	
Tin	\$31,150	1,413	-1.2%	-1.0%	6.7%						
Zinc	\$2,426	110	-1.0%	-1.4%	7.8%						
Steel Billet	~	na	~	~	~						
						Refined products, Singapore					
						Gas Oil (USD/bbl) ***	\$128	6.6%	9.1%	17.2%	
						Jet Fuel (USD/bbl)	\$131	6.2%	9.4%	17.1%	
						Fuel Oil (USD/t) ****	\$669	6.4%	10.1%	23.4%	
						Currencies					
						AUD/USD (London close)	1.0087	0.9%	-0.4%	1.7%	
						AUD/EUR	0.7314	0.6%	-1.8%	1.1%	
						AUD/JPY	82.50	0.2%	-2.1%	0.3%	
						AUD/CNY	6.64	1.0%	-0.4%	1.7%	
						AUD/KOR	1,144	1.3%	1.5%	3.7%	
						EUR/USD	1.3792	0.4%	1.5%	0.6%	
Stocks		tonnes				Coal*	USD/t				
Aluminium	4,615,500		-5,000	17,300	84,775	Newcastle	\$126.64	~	3.4%	-2.9%	
Copper	412,675		975	5,475	15,400	Richards Bay	\$118.07	~	2.3%	-2.2%	
Lead	294,325		-525	-2,875	17,400	DES ARA	\$116.88	~	-1.0%	-5.2%	
Nickel	129,642		444	-282	-5,544						
Tin	17,530		20	-80	-190	Iron ore & Steel	USD/t				
Zinc	708,425		-175	-450	-2,625	Iron ore (62% Fe, cfr China)	\$184.10	-0.4%	-4.1%	-0.8%	
Steel Billet	51,155		0	0	-2,925	China domestic Rebar	\$718.72	-0.5%	-1.4%	0.7%	
						East Asia HRC (cfr) *****	\$732.50	0.0%	0.3%	2.4%	
						US domestic HRC (US/st) *****	\$845.00	0.0%	3.7%	5.0%	
Precious Metals											
Gold		USD/oz (unless stated otherwise)				Equity & Debt Capital Markets					
Spot	\$1,398.95		-0.9%	1.1%	6.5%	New York (Dow Jones IA)	12,072	-0.3%	-2.0%	0.7%	
Comex *	\$1,415.30		0.1%	2.2%	7.3%	London (FTSE 100)	5,920	-0.1%	-2.7%	-0.8%	
AUD spot (AUD/oz)	\$1,385.15		-1.7%	1.3%	4.6%	Europe (EuroStoxx50)	2,949	-0.2%	-3.8%	-1.4%	
Silver	\$32.22		-4.0%	1.4%	19.6%	Toronto (Metals & Mining)	4,358	-2.4%	-3.1%	3.3%	
Platinum	\$1,780.50		-0.2%	-3.6%	-0.3%	Philadelphia Gold & Silver Index	209.3	-1.9%	-1.5%	5.3%	
Palladium	\$774.00		-0.6%	-8.4%	-3.9%						
Natural Gas						US 2 year bond yield	0.731%	-2.1%	-4.6%	25.6%	
Henry Hub (USD/MMBtu) **	\$3.793		-2.7%	-1.9%	-12.1%	US 10 year bond yield	3.444%	-1.2%	-3.6%	1.6%	
British NBP (GBP/therm) **	54.39		0.8%	3.5%	-0.8%						

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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