

2011 China steel output 680Mt: CISA

- The usually conservative China Iron and Steel Association released a forecast that China's steel output in 2011 is likely to surpass 680Mt, against 626Mt in 2010. The forecast is predicated on GDP growth of more than 9% in 2011, which is broadly in line with our call.
- US personal income rose by 0.4% in April, in line with consensus. Personal spending was also up 0.4%, slightly below the expected 0.5% increase. The final reading for consumer sentiment in May was 74.3, up from 72.4 in April. But pending home sales slumped by 11.6%, well short of forecasts of a 1.4% fall. The Group of Eight nations have said that the global economic recovery was becoming more "self-sustained" and pledged support for a \$40b aid package to fledgling new Arab democracies in north Africa and the Middle East. The US dollar ended lower.
- Base metal prices ended up 0.5-2.4% on Friday, supported by a weaker US dollar, with aluminium rising the most and lead advancing the least. Comments from BMW that lack of physical supply of aluminium was increasing their purchasing costs as they faced higher physical premia, reflect the impact of a large majority of aluminium stocks on exchange being tied up in financing trades. Gold and silver prices ended higher as the US dollar weakened and due to ongoing worries about EU sovereign debt issues.
- US crude oil prices rose modestly on Friday. Weighing on prices were mixed economic reports in the US. But a weaker greenback and firmer equities markets boosted the allure of commodities.
- Spot iron ore prices, delivered China port, eased another 0.1% on Friday to close at USD 171.20/t, which equates to a Pilbara netback of ~USD 165/t. September quarter iron ore contracts that set prices on the basis of the average spot price in March, April and May are likely to be broadly unchanged in September from the current quarter's ~USD 172/t (CFR China) price.

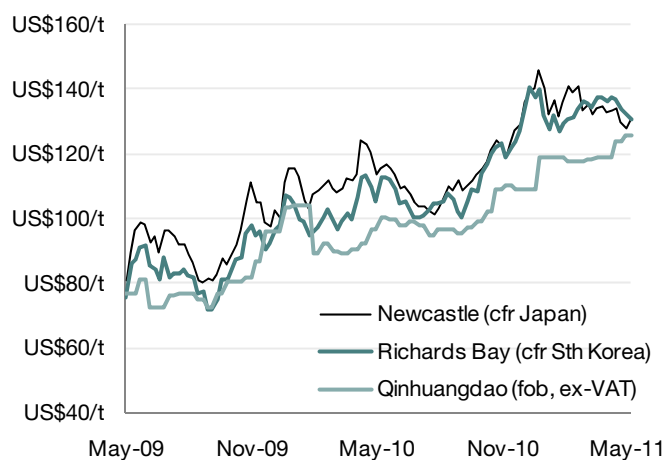
Chart of the Day: Spot thermal coal prices point to increased Chinese imports

- Newcastle thermal coal spot prices rose 2.3% last week to USD 119.47/t. Delivered into North Asia, both Newcastle and Richards Bay (South African) spot prices sit around the USD 130/t mark, including freight. Local prices are around USD 125/t, adjusted for VAT. The premium of international prices over domestic prices is the narrowest this month for almost a year.
- Overlay the situation of power shortages, and the government's recent decisions to lift on-grid power tariffs, and we would not be surprised to see China's import of thermal coal increase in coming months. This is especially the case given that many imported thermal coals are of higher calorific values than local Chinese domestic coals.

Overnight Price Moves (full table over)		27-May-11	
New York (Dow Jones IA)		12,442	0.3%
London (FTSE 100)		5,939	1.0%
AUD/USD		1.0706	0.9%
LME Metals (27-May)			
	USD/t	USc/lb	% chg
Aluminium	\$2,619	119	2.4%
Copper	\$9,188	417	2.0%
Lead	\$2,524	114	0.5%
Nickel	\$23,081	1,047	1.1%
Tin	\$27,443	1,245	2.2%
Zinc	\$2,256	102	0.7%
Iron ore & Steel			
	USD/t		% chg
Iron ore (62% Fe, cfr China)		\$171.20	-0.1%
Steel Billet (LME)		\$585	0.0%
Precious Metals			
Gold			
Spot (USD/oz)		\$1,536.40	1.1%
Comex (USD/oz) *		\$1,536.30	0.9%
AUD spot (AUD/oz)		\$1,434.66	0.5%
Silver (USD/oz)			
		\$38.00	1.9%
Platinum (USD/oz)			
		\$1,800.00	1.7%
Palladium (USD/oz)			
		\$761.00	0.8%
Oil			
NYMEX light sweet crude (USD/bbl) *			
		\$100.59	0.4%
Brent (USD/bbl)			
		\$115.19	0.0%
Singapore TAPIS (USD/bbl)			
		\$123.57	0.6%

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

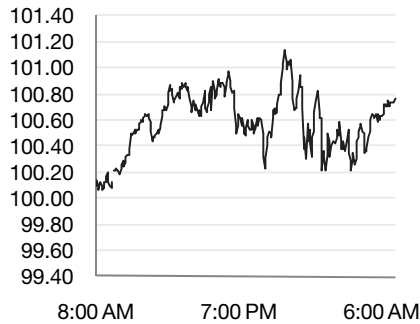
Chart of the Day: Thermal coal spot prices, delivered North Asia



Source: globalCOAL, Bloomberg, CBA.

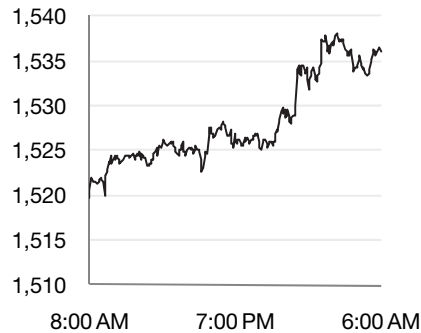


Figure 1: NYMEX light sweet crude (US/bbl) first month intraday price



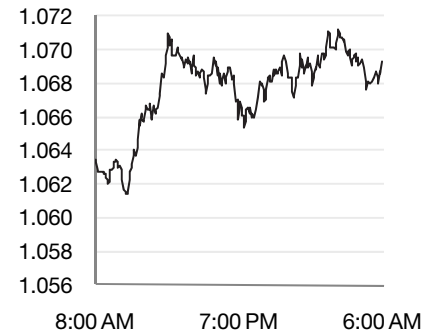
Source: Bloomberg, CBA. 5 min intervals.

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 (27-May)			change over						change over		
Cash	USD/t	USc/lb	day	week	month	Oil	USD/bi	day	week	month	
Aluminium	\$2,619	119	2.4%	5.2%	-5.1%	NYMEX light sweet crude **	\$100.59	0.4%	1.1%	-11.7%	
Copper	\$9,188	417	2.0%	1.5%	-1.2%	Brent (Dated)	\$115.19	0.0%	2.1%	-8.6%	
Lead	\$2,524	114	0.5%	0.2%	0.7%	Singapore TAPIS	\$123.57	0.6%	3.5%	-6.3%	
Nickel	\$23,081	1,047	1.1%	-1.9%	-14.0%	Dubai	\$109.28	1.4%	2.7%	-7.9%	
Tin	\$27,443	1,245	2.2%	-0.9%	-14.3%	Refined products, Singapore					
Zinc	\$2,256	102	0.7%	5.9%	1.0%	Gas Oil (USD/bbl) ***	\$127	0.6%	2.3%	-8.2%	
Steel Billet	\$585	na	0.0%	4.3%	5.3%	Jet Fuel (USD/bbl)	\$128	0.5%	2.3%	-8.6%	
						Fuel Oil (USD/t) ****	\$658	0.5%	3.1%	-3.7%	
Futures (3 mth)						Currencies					
Aluminium	\$2,625	119	2.5%	5.0%	-5.1%	AUD/USD (London close)	1.0706	0.9%	0.4%	-2.4%	
Copper	\$9,199	417	2.0%	1.4%	-1.3%	AUD/EUR	0.7477	-0.4%	-0.7%	0.9%	
Lead	\$2,505	114	0.6%	-0.2%	0.6%	AUD/JPY	86.49	0.2%	-0.7%	-2.9%	
Nickel	\$23,090	1,047	1.2%	-1.9%	-14.0%	AUD/CNY	6.95	0.9%	0.4%	-2.4%	
Tin	\$27,500	1,247	2.2%	-0.9%	-14.2%	AUD/KOR	1,160	0.6%	0.4%	-0.8%	
Zinc	\$2,274	103	0.6%	5.7%	1.2%	EUR/USD	1.4319	1.3%	1.1%	-3.3%	
Steel Billet	\$566	na	0.2%	4.7%	1.3%	Coal*					
Stocks			tonnes			USD/t					
Aluminium		4,702,825	-3,275	-5,925	90,775	Newcastle	\$119.47	~	2.3%	-2.3%	
Copper		469,475	1,250	3,225	5,825	Richards Bay	\$117.80	~	-1.5%	-4.8%	
Lead		322,050	1,425	4,250	13,675	DES ARA	\$120.27	~	-1.4%	-5.7%	
Nickel		114,372	-156	804	-3,012	Iron ore & Steel					
Tin		22,210	-15	-195	1,640	Iron ore (62% Fe, cfr China)	\$171.20	-0.1%	-1.9%	~	
Zinc		854,700	-50	2,850	33,325	China domestic Rebar	\$739.42	0.0%	0.0%	1.1%	
Steel Billet		39,585	0	-260	-18,720	East Asia HRC (cfr) *****	\$725.00	0.0%	0.0%	0.0%	
Precious Metals			USD/oz (unless stated otherwise)			US domestic HRC (US/st) *****	\$810.00	0.0%	-2.7%	-6.4%	
Gold						Equity & Debt Capital Markets					
Spot	\$1,536.40		1.1%	1.6%	-1.7%	New York (Dow Jones IA)	12,442	0.3%	-0.6%	-2.9%	
Comex *	\$1,536.30		0.9%	1.8%	-1.3%	London (FTSE 100)	5,939	1.0%	-0.2%	~	
AUD spot (AUD/oz)	\$1,434.66		0.5%	1.2%	0.7%	Europe (EuroStoxx50)	2,819	0.7%	-1.2%	-6.4%	
Silver	\$38.00		1.9%	8.3%	-20.7%	Toronto (Metals & Mining)	4,344	1.0%	3.2%	-4.0%	
Platinum	\$1,800.00		1.7%	1.5%	-3.9%	Philadelphia Gold & Silver Index	208.5	1.5%	4.6%	-6.2%	
Palladium	\$761.00		0.8%	3.4%	-4.1%	US 2 year bond yield	0.478%	-1.6%	-6.8%	-21.0%	
Natural Gas						US 10 year bond yield	3.074%	0.5%	-2.3%	-6.5%	
Henry Hub (USD/MMBtu) **	\$4.518		4.4%	6.8%	-3.8%						
British NBP (GBP/therm) **	58.00		1.3%	0.8%	0.2%						

Source: Bloomberg, globalCOAL, CBA. Data is indicative and prices subject to change. * Near Month (not adjusted for contract changes). ** Weekly, 27/05
 *** Gas Oil is 0.5% sulphur. **** Fuel Oil is 180 centistoke. ***** Weekly, 24/05



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