

COMMODITY DAILY

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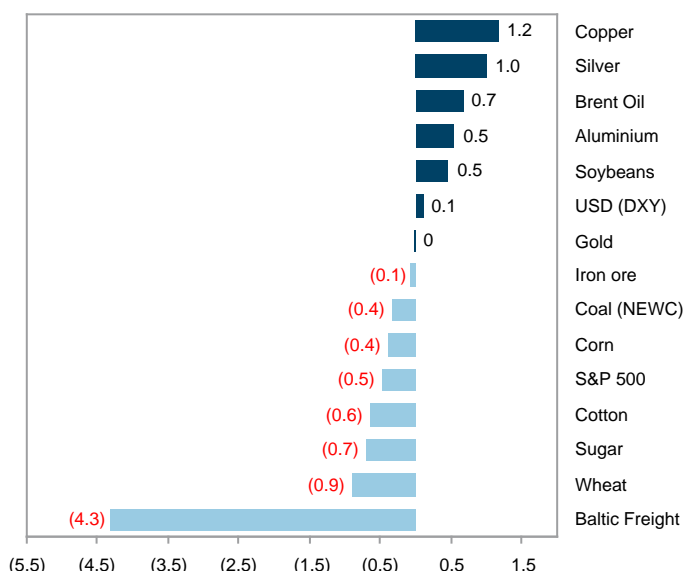
MARKET HIGHLIGHTS

- FOMC continues to hold off tapering
- Capesize freight at a 10-week low
- Gold still lacking end-user support
- A weaker tone to ag markets

KEY THEMES

Overnight themes – The release of the Fed statement showed little changed from September. As widely expected, the Fed maintained its USD85bn in monthly asset purchases, with the timing of tapering likely to be when the labor market improves substantially. Leading up until the Fed statement, the USD remained under pressure, with equities weakening and core sovereign bond yields rallying marginally. The tone of the statement was not as dovish as expected by the market with US 10 Year Treasury yields and USD lifting in the period immediately following the announcement. Commodity price movements were mixed, with rises for gold and base metals and declines in iron ore and thermal coal.

OVERNIGHT RANKED PRICE MOVES (%)



Note: Coal (NEWC) refers to front month futures
Sources: Bloomberg, ANZ Commodity Strategy

COMMODITY WRAP

- **The Baltic dry capesize Index continued its sharp decline** overnight, down 8% to a 10-week low. Driving the decline is additional shipping capacity as coking coal restocking activity slows in China. Iron ore prices were flat at USD131.2/t but thermal coal prices weakened slightly. Steel mills continue to remain cautious booking cargoes due to ongoing profit margin pressures. Profit margins in the steel sector are expected to be around 0.3% for the year, substantially lower than other comparable industries. News of improved domestic thermal coal supply in China continues as China National Coal Group, the country's second largest coal miner, produced 109mt of marketable coal in the year-to-date, up 7.2% compared to same period last year.
- **Gold, along with other markets, were positioned for a dovish Fed.** The Fed statement was viewed as neutral, resulting in US Treasury yields rising, the USD strengthening and gold declining. With this event risk now behind us, the market will go back into data-watch mode. For gold, the intraday moves will continue to be driven by the gyrations of the USD. We expect the slowing of physical demand and decline in Shanghai premiums will mean gold prices will have to fall further before sparking any strong end-user demand. Shanghai gold traded flat to USD2.0/oz over spot yesterday.

Gold technical resistance levels remain USD1,360/75 and support at USD1,335/30. CFTC figures released overnight (while still a week behind schedule) showed specs increased short positions to 103k contracts as of 15 October, the largest since 20 August. This coincided with the dip in price to USD1,280/oz. We await updated figures this Friday to determine how much short covering occurred as prices recovered to USD1,340/oz.

- **Ag markets had a weaker tone overnight**, with prices across most of the complex down 0.5-1.0%. The exception was soybeans, which firmed 0.5% to 1277USc/bu. Lanworth increased its Australian wheat production forecast by around 0.5mt to 25.3mt. This is consistent with a recent Reuters poll of 11 analysts and traders, where average production was forecast at the same level as Lanworth. The range of Australian wheat production forecasts surveyed by Reuters on 22 October was 23.6mt to 26.7mt (ANZ 26mt). Elsewhere, government sources have confirmed India has cut the floor price for wheat exports out of the country by 13%. The floor price has been lowered from USD300/t to USD260/t, which is expected to make Indian wheat competitive again in the region.

COMMODITY DATA

PRICE DATA

Commodities	Close	1 Day	1 Wk % Change	1 Mth	3 Mth
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LME BASE METALS (USD/t)

Aluminium	1,847	0.5	2.8	3.1	5.1
Copper	7,287	1.2	1.8	0.5	6.0
Nickel	14,689	1.0	1.2	7.4	6.4
Zinc	1,935	0.1	2.0	4.5	7.2
Lead	2,187	0.1	1.7	6.8	6.2
Tin	23,101	(0.2)	1.5	1.4	13.2

PRECIOUS METALS (USD/oz)

Gold	1,345	(0.0)	0.8	2.2	1.5
Gold (A\$/oz)	1,418	(0.1)	2.3	1.1	(3.9)
Silver	23	1.0	0.9	4.8	14.6
Platinum	1,474	0.8	2.8	6.1	2.4
Palladium	746	(0.0)	0.1	3.9	2.4

ENERGY (USD/bbl)

WTI Oil*	96.8	(1.5)	(0.1)	(7.0)	(7.9)
Brent Oil*	109.8	0.7	1.8	0.5	1.9
Sing Gasoil 0.5%	124	1.1	2.4	1.6	1.1
Sing Fuel Oil 180cst (US\$/t)	616	0.0	0.2	(0.6)	0.6

OTHER (USD/t)

China HR Coil (RmB/t)	3,463	0.1	(1.1)	(2.7)	(3.6)
Richards Bay Coal	87	(1.5)	(2.5)	10.7	19.5
Newcastle Coal*	84.4	(0.4)	3.9	4.2	9.5
Australia Coking Coal**	146	...	(1.6)	(3.8)	9.5
Iron Ore Spot	131.2	(0.1)	(1.5)	(0.2)	1.0

*Front-month futures **Weekly FOB price

Commodities	Close	1 Day	1 Wk % Change	1 Mth	3 Mth
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AGRICULTURE (US\$/bu)

Corn	430	(0.4)	(2.8)	(2.0)	(10.2)
Wheat	675	(0.9)	(3.8)	(1.6)	(0.3)
Soybeans	1,277	0.5	(2.1)	0.1	5.4
Cotton (US\$/lb)	77.8	(0.6)	(3.5)	(10.4)	(8.6)
Sugar (US\$/lb)	18.3	(0.7)	(5.0)	(1.0)	4.9
Live Cattle (US\$/lb)	133.1	(0.9)	0.3	1.0	3.7

Key Indices	Close	1 Day	1 Wk % Change	1 Mth	3 Mth
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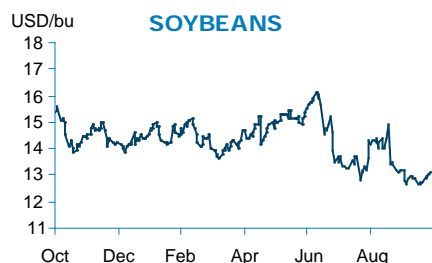
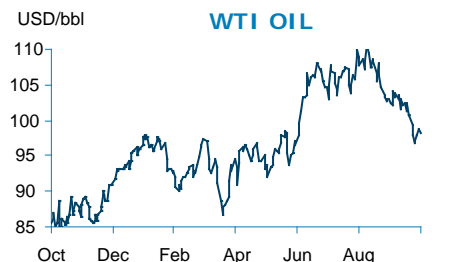
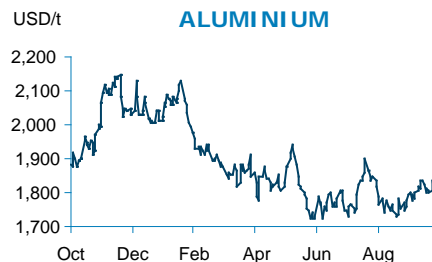
S&P 500	1,763	(0.5)	1.0	4.1	4.6
VIX Volatility Index	14	1.8	1.7	(17.8)	1.5
CRB Index	280	(0.2)	(0.6)	(2.2)	(1.4)
LME Metals Index	3,179	0.9	1.8	2.0	6.3

Freight	Close	1 Day	1 Wk % Change	1 Mth	3 Mth
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Baltic Freight Rate	1,484	(4.3)	(16.9)	(26.1)	39.7
Baltic Capesize	2,164	(7.5)	(26.5)	(43.2)	15.0
Baltic Panamax	1,716	(4.1)	(14.6)	(5.4)	62.3
Baltic Handysize	660	0.6	3.3	10.2	24.3

Currencies	Close	1 Day	1 Wk % Change	1 Mth	3 Mth
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DXY - USD Index	79.7	0.1	0.6	(0.3)	(2.2)
AUD/USD - Aussie	0.948	0.1	(1.4)	1.1	5.6
NZD/USD - Kiwi	0.827	0.1	(1.5)	(0.8)	3.5



Notes: *Front-month futures **Weekly prices

Sources: Bloomberg, McCloskey, ANZ Commodity Strategy

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