

ASB New Zealand Commodity Price Indices As at Friday 8th September 2017

| | Index * | 1 Week % | Year % ** |
|----------------|---------|----------|-----------|
| Total NZD | 177.4 | -1.3% | 12.8% |
| Total SDR | 188.0 | -0.5% | 9.6% |
| Total USD | 194.9 | 0.2% | 11.8% |
| Dairy USD | 202.2 | -0.9% | 18.4% |
| Sheep/beef USD | 220.6 | 1.5% | 7.7% |
| Forestry USD | 173.0 | 0.7% | 7.9% |
| NZD/USD | 0.7265 | 1.5% | -0.9% |

* For all indices 1997 average = 100

** Percentage change since same week last year

Coarse wool prices lifted over the past week

After a very weak run, coarse wool (39 micron) prices lifted over the past week. In fact, the 17.0% increase is the largest weekly rise on record (our data goes back to 1997).

The rise follows a very weak run over most of 2017. Indeed between early April and mid-July, coarse wool prices slipped over 36%.

The lift also signals that the worst may be over for wool prices. At these low price levels, some demand may be finally kicking in.

Moreover, other wool grades had already seen prices stabilise. 27 micron wool prices, for example, had lifted from lows back in April, while 29 micron prices have been stable most of the year.

However, the wool price outlook remains soft. While the worst may be over for wool prices, the outlook is for a modest recovery at best. AgriHQ has reported demand fundamentals "are still not that great." As a result, the lift to date may be more of the 'dead cat bounce' variety, particularly when we allow for the normal seasonal lift at this time of the year.

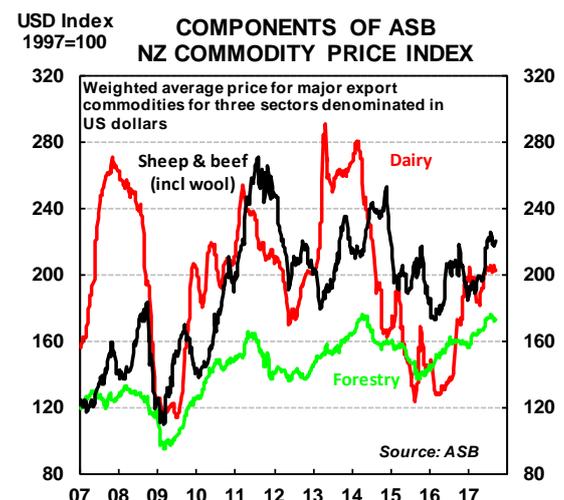
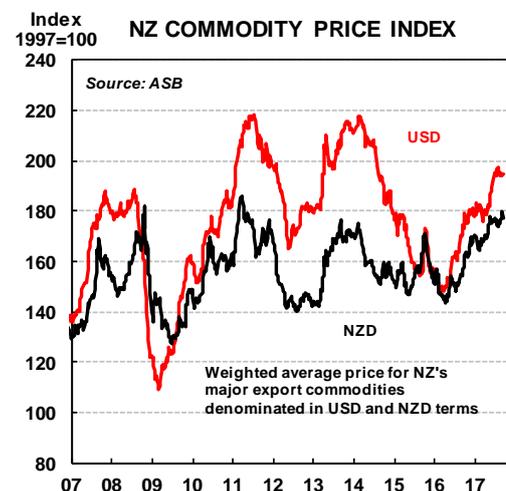
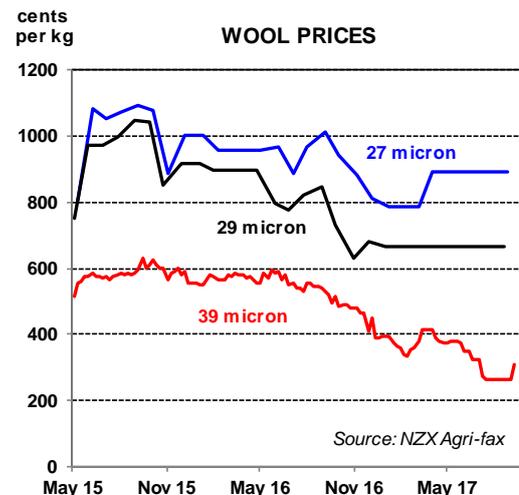
ASB NZ Commodity Price Index

NZ commodity prices fell in NZD terms last week on the back of a higher NZD. The NZD lifted 1.5% against the USD, more than cancelling out the small 0.2% lift in commodity prices in USD terms.

Looking at the index components, higher meat and forestry product prices outweighed a fall in dairy prices in USD terms. Wool, lamb and beef all registered 1.5% increases. The Forestry index also rose 0.7%, supported by a 1.5% gain in log prices. Meanwhile, dairy prices dipped 0.9%. Within dairy, whole milk powder prices drove most of the dip, falling 1.6%.

Currency Markets

The USD was weaker last week, due to ongoing geo-political tensions, the impact of Hurricane Irma and cautious comments from US Federal Reserve officials. This week, the local currency has been volatile, particularly on the back of volatile election polls. As at the time of writing, the NZD was trading at US\$0.7220.



ASB Economics & Research

Chief Economist
Senior Economist
Senior Economist
Senior Rural Economist
Senior Economist, Wealth
Economist
Data & Publication Manager

Nick Tuffley
Mark Smith
Jane Turner
Nathan Penny
Chris Tennent-Brown
Kim Mundy
Judith Pinto

nick.tuffley@asb.co.nz
mark.smith4@asb.co.nz
jane.turner@asb.co.nz
nathan.penny@asb.co.nz
chris.tennent-brown@asb.co.nz
kim.mundy@asb.co.nz
judith.pinto@asb.co.nz

Phone

(649) 301 5659
(649) 301 5657
(649) 301 5853
(649) 448 8778
(649) 301 5915
(649) 301 5661
(649) 301 5660

asb.co.nz/economics

 @ASBMarkets

Disclaimer

This document is published solely for informational purposes. It has been prepared without taking account of your objectives, financial situation, or needs. Before acting on the information in this document, you should consider the appropriateness and suitability of the information, having regard to your objectives, financial situation and needs, and, if necessary seek appropriate professional or financial advice.

We believe that the information in this document is correct and any opinions, conclusions or recommendations are reasonably held or made, based on the information available at the time of its compilation, but no representation or warranty, either expressed or implied, is made or provided as to accuracy, reliability or completeness of any statement made in this document. Any opinions, conclusions or recommendations set forth in this document are subject to change without notice and may differ or be contrary to the opinions, conclusions or recommendations expressed elsewhere by ASB Bank Limited. We are under no obligation to, and do not, update or keep current the information contained in this document. Neither ASB nor any person involved in the preparation of this document accepts any liability for any loss or damage arising out of the use of all or any part of this document.

Any valuations, projections and forecasts contained in this document are based on a number of assumptions and estimates and are subject to contingencies and uncertainties. Different assumptions and estimates could result in materially different results. ASB does not represent or warrant that any of these valuations, projections or forecasts, or any of the underlying assumptions or estimates, will be met.