

ASB New Zealand Commodity Price Indices As at Friday 27th January 2017

	Index *	1 Week %	Year % **
Total NZD	164.8	-0.7%	6.4%
Total SDR	183.8	0.4%	20.9%
Total USD	181.0	0.6%	19.2%
Dairy USD	194.8	-0.7%	36.3%
Sheep/beef USD	194.2	1.8%	11.7%
Forestry USD	161.9	2.1%	11.7%
NZD/USD	0.7264	1.3%	12.1%

* For all indices 1997 average = 100

** Percentage change since same week last year

The US dollar is on a wild Trump-induced ride

Currency markets are caught in two minds. On the one hand, Trump's spending plans, including tax cuts, should lead to higher US interest rates and, accordingly, a higher US dollar. Indeed immediately following Trump's election triumph, the USD did strengthen.

On the other hand, currency markets are fretting about Trump's more extreme policies. For example, his withdrawal from the Trans Pacific Partnership (TPP) and ban on selected migrants has had the opposite effect. As such, so far over 2017, the NZD has lifted against the USD from around US\$0.6960 to US\$0.7290 as at the time of writing.

Over time, **we expect Trump's planned fiscal spending to be the dominant effect and for the USD to lift.** But the risk remains that his more extreme policies distract from these plans and continue to undermine the strength of the USD. Either way, Trump will keep commodity exporters, and the USD, on tenterhooks for a while yet.

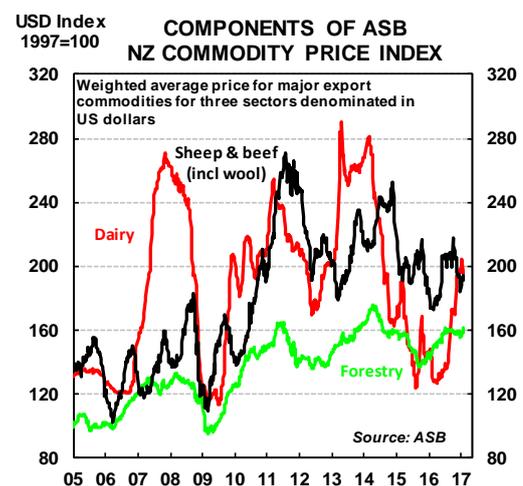
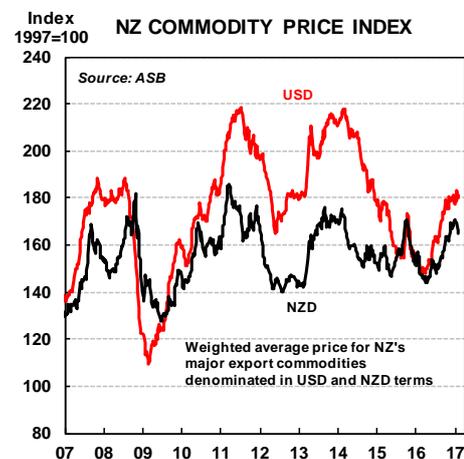
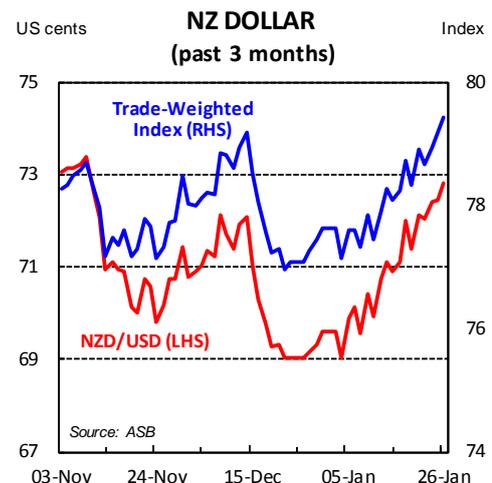
Looking further ahead, the **Trump Presidency is likely to have a mixed impact on NZ's agricultural trade prospects.** Broad US agricultural policy is not expected to change, but as mentioned the TPP will not become law. Meanwhile, NZ producers could gain a competitive edge on their US counterparts, if Trump's immigration policies restrict or increase the cost of migrant labour. For more detail click [here](#).

ASB NZ Commodity Price Index

NZ commodity prices rose 0.6% in USD terms last week, on the back of a recovery in meat prices. However, a higher NZ dollar offset this gain, pushing the index 0.7% lower in NZD terms.

Looking at the components, **sheep and beef prices** recouped last week to rise 3.4% and 1.3%, respectively. These gains more than offset a 2% decline in wool prices, pushing the Sheep/Beef index up 1.8%. The Forestry index also posted a 2.1% increase, boosted by log prices which held on to gains, climbing 4% in USD terms last week.

Meanwhile, the **Dairy index went the opposite way**, slipping marginally by 0.7% last week and weighed down by falls in butter (-1.1%), skim milk powder (-1.9%) and cheddar (-1.2%). Whole milk powder and casein prices were unchanged.



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