

### ASB New Zealand Commodity Price Indices

As at Friday 23<sup>rd</sup> June 2017

	Index *	1 Week %	Year % **
Total NZD	177.1	0.7%	18.0%
Total SDR	194.6	1.3%	22.2%
Total USD	195.2	1.2%	20.6%
Dairy USD	205.1	1.0%	50.3%
Sheep/beef USD	220.8	2.3%	8.0%
Forestry USD	173.6	0.4%	9.5%
NZD/USD	0.7287	0.5%	2.1%

\* For all indices 1997 average = 100

\*\* Percentage change since same week last year

#### Beef and lamb bonus

**Beef and lamb prices remain very healthy.** Indeed, the excellent run over 2017 looks set to continue both through the end of the year and well into 2018.

Lamb prices shot through the \$6.00/kg barrier last month, and **have continued the hot streak this month, comfortably passing the \$6.50/kg mark.** Moreover, prices so far this month have sat at their second-highest on record for a June month, behind only June 2011.

Previously we have talked about low slaughter rates lifting prices, **but now demand is coming to the party as well.** European, North American and Middle East demand all look to have firmed. In addition, the re-opening of the Iran market provides another outlet for lamb exporters.

Firming demand bodes well for prices heading into the 2017/18 season as the support for prices from low slaughter rates will fade over time. However, we are now more confident that improved demand can pick up some of this slack, **keeping prices at relatively healthy levels over the remainder of the year and into 2018.**

**Meanwhile, beef prices remain on track to surpass \$6.00/kg in the early spring.** Over the last month, prices have continued at record highs for the month as they did over April and May.

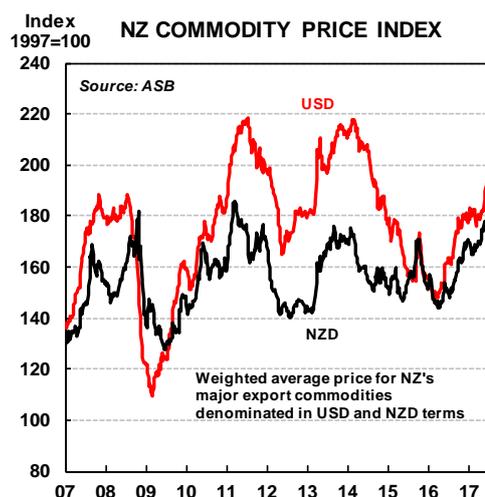
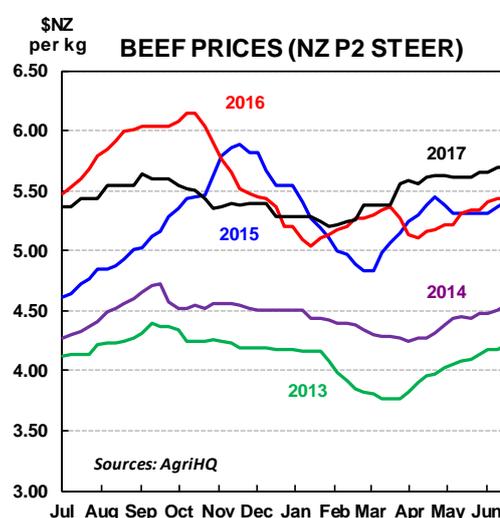
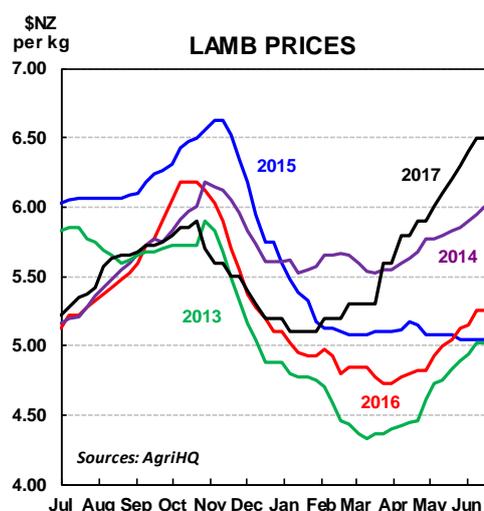
As discussed previously, the market fundamentals for beef are still very strong. All up, **we expect the good times to roll on for the beef sector over the remainder of 2017 and well into 2018.**

#### ASB NZ Commodity Price Index

**NZ commodity prices lifted across the board last week.** Beef and lamb prices led the charge over the week, jumping 2.8% and 2.2%, respectively, while wool prices inched up 0.5% in USD terms. The Dairy Index also climbed 1%, as butter prices posted a 3.4% gain over the week. Meanwhile, the Forestry Index crept up 0.4%, supported by a 0.8% increase in log prices.

#### Currency Markets

The **NZD lifted against all major currencies last week**, in the wake of the RBNZ's OCR announcement. The Reserve Bank maintained a neutral bias, while noting the growth outlook remains positive supported by low interest rates, strong population growth and the high Terms of Trade. **At the time of writing, the NZD was trading at US\$0.7320.**



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