

### ASB New Zealand Commodity Price Indices As at Friday 28<sup>th</sup> October 2016

	Index *	1 Week %	Year % **
Total NZD	161.9	-0.5%	0.4%
Total SDR	175.9	-0.6%	8.1%
Total USD	175.3	-0.6%	6.1%
Dairy USD	173.0	-0.7%	10.7%
Sheep/beef USD	204.8	-1.6%	-0.8%
Forestry USD	158.3	0.0%	12.1%
NZD/USD	0.7163	-0.1%	5.7%

\* For all indices 1997 average = 100

\*\* Percentage change since same week last year

#### NZ commodity prices entering an 'up phase'

Over the remainder of 2016 and 2017, we expect NZ commodity prices to rise above their long-run averages. As it stands, prices are already sitting at their average level, but the upward trend is clear.

The turn in the dairy cycle is behind most of the lift, particularly over recent months. For example, whole milk powder auction prices have lifted 123% since hitting a record-low auction price in August 2015.

The surge at this week's [dairy auction](#) cements dairy prices at a higher level, and if anything, hints at further rises. Global dairy prices had been trending higher as global supply contracts. However, the 'big wet' in the North Island has sped up the supply fall, and in turn, the dairy price correction. In addition, it appears some dairy buyers may have been caught short. If that is the case, as these buyers scramble to secure product, prices are likely to continue to rise.

Meanwhile, we expect other commodity prices are likely to collectively trend sideways, with a risk of a small decline. Specifically, beef and lamb prices are healthy and soft in roughly equal measure. On the forestry front, prices are firm, although a weakening Chinese housing market may take some of the gloss off log prices.

Lastly, the *up phase* in the NZ commodity price cycle will help underpin the NZ dollar. Already following this week's bumper dairy auction, the NZD has closed in on long-run averages.

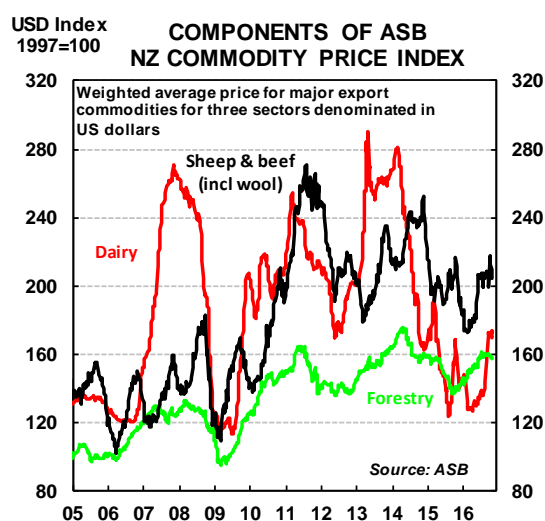
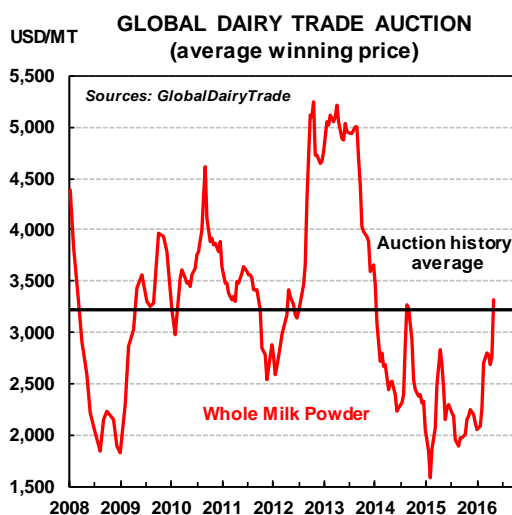
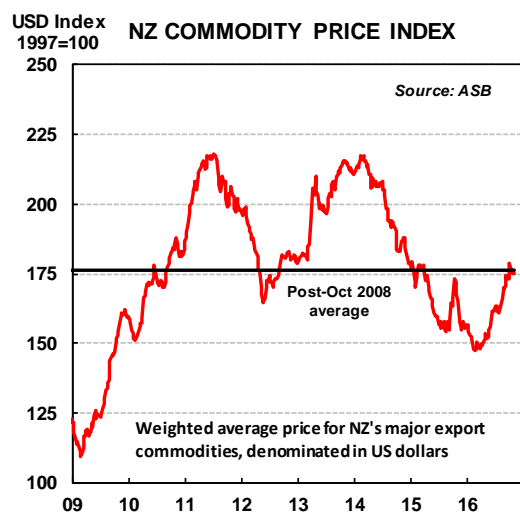
#### ASB NZ Commodity Price Index

The ASB Commodity Price Index slipped across all denominations last week, recording a 0.6% fall in USD terms. Declines in meat and dairy product prices led the Index decline.

Within the **Sheep/Beef Index**, wool prices fell hardest, dropping 3.7% and lamb also slipped 2.6%. Dairy prices fell a tad last week. But this fall was superseded by the overall massive price rises at the already-mentioned dairy auction earlier this week.

#### Currency Markets

Last week was a relatively quiet week for the New Zealand dollar. **However, the NZD has bounced over 1.5 cents against the USD this week.** In particular, the bumper dairy auction and strong labour market data helped the NZD climb. At the time of writing, the NZD was trading at US\$0.7335.



## ASB Economics &amp; Research

Chief Economist  
Senior Economist  
Senior Rural Economist  
Economist  
Economist  
Publication and Data Manager

Nick Tuffley  
Jane Turner  
Nathan Penny  
Kim Mundy  
Daniel Snowden  
Judith Pinto

[nick.tuffley@asb.co.nz](mailto:nick.tuffley@asb.co.nz)  
[jane.turner@asb.co.nz](mailto:jane.turner@asb.co.nz)  
[nathan.penny@asb.co.nz](mailto:nathan.penny@asb.co.nz)  
[kim.mundy@asb.co.nz](mailto:kim.mundy@asb.co.nz)  
[daniel.snowden@asb.co.nz](mailto:daniel.snowden@asb.co.nz)  
[judith.pinto@asb.co.nz](mailto:judith.pinto@asb.co.nz)

## Phone

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

## Fax

(649) 302 0992



ASB Economics

ASB North Wharf, 12 Jellicoe Street, Auckland

<https://reports.asb.co.nz/index.html>



[@ASBMarkets](https://twitter.com/ASBMarkets)

## Important Disclosures

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.