

Commodities Weekly

For the week ending Friday 28th September

Forestry still sitting pretty

Forestry Index in NZD terms just 2.5% below the record high

Forestry prices are still sitting pretty in NZD terms. Indeed, forestry prices as measured by the AgriHQ Index are only 2.5% below the record high set back in July.

In USD terms, however, it's a different story, with prices down 12% on the April 2018 high. Most of that fall can be put down to USD strength. Indeed, the CNY/USD is down 9% over the same period.

It follows, that market fundamentals remain relatively healthy. In particular, the Chinese economy is solid and the Chinese housing market firm. On this basis, we anticipate forestry demand will remain firm and thus forestry prices will remain positive over the remainder of the year.

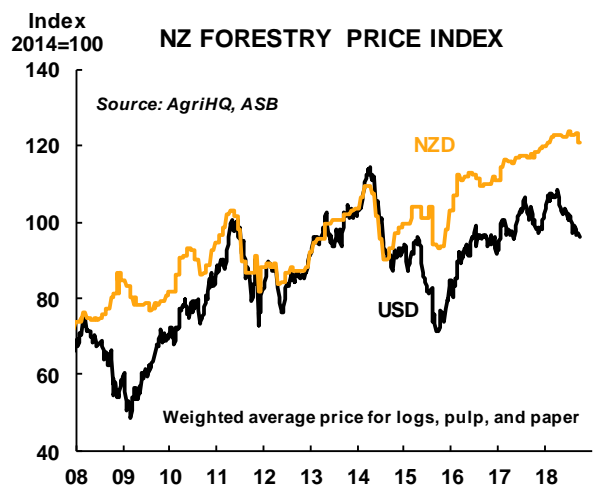
The continued ratcheting up in US-China trade tensions do, however, pose a risk to this otherwise positive outlook. Escalating trade frictions could begin to weigh on Chinese economic growth. In this scenario, forestry demand will wane and prices fall. Watch this space!

Week ending 28 September

The ASB Commodity Price Index fell 0.7% in USD terms in the week ending 28th September. In contrast, in NZD terms, the Index rose 0.3%, boosted by a 1.0% fall in the NZD/USD.

The commodity price falls in USD terms were broad-based. Sheep/beef prices led the fall, dipping 1.9% over the week. Wool and beef prices both posted 2%+ falls, while lamb prices fell 1.6%. Meanwhile, dairy prices fell 0.3%, compounded by a 1.9% overall fall at this week's dairy auction.

The NZD/USD fell last week following the Federal Reserve's interest rate hike. The USD has continued to strengthen this week as US benchmark interest rates have risen further. As at the time of writing, NZD was trading at US\$0.6480.



ASB New Zealand Commodity Price Indices As at Friday 28th September 2018

	Index*	Week %	Year %**
Total NZD	112.5	0.3%	3.5%
Total SDR	97.5	-0.2%	-4.9%
Total USD	89.5	-0.7%	-6.7%
Dairy USD	80.8	-0.3%	-13.8%
Sheep/beef USD	97.3	-1.9%	-0.4%
Forestry USD	96.1	-1.0%	-7.7%
Fruit USD	93.4	-1.0%	-7.0%
NZD/USD	0.6619	-1.0%	-9.8%

* For all indices 2014 average = 100

** Percentage change since same week last year

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