

# Commodities Weekly

For the week ending Friday 6<sup>th</sup> October



## NZ dollar trump card

### NZD/USD hits 5-month low

The NZD/USD has hit a 5-month low this week, as the uncertainty around the coalition negotiations weighs on the NZ dollar while the US dollar received support on the back of robust US economic data. After ending last week, at around US\$0.7090, the NZD has been as low US\$0.7050 already this week.

For now, **this is good news for NZ commodity prices in NZD terms.** Indeed last week, while commodity prices fell 1.4% in USD terms, the weaker NZD trumped the price fall so that prices were up a touch in NZD terms.

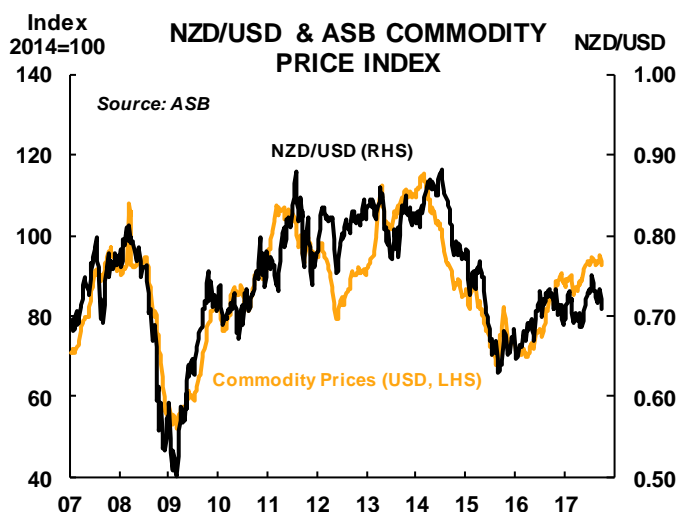
**Over a longer period, the soft NZD is also making a difference.** For example, the ASB Commodity Index is sitting 108.8 in NZD terms compared to 92.4 in USD terms. In other words, the soft NZD is making up for what are relatively modest commodity prices by historical terms.

**However looking beyond the formation of the next government, we expect the NZD to rise.** We expect the NZD to rise to US\$0.75 by mid-2018, and then US\$0.77 by the end of 2018, from its current level. Ultimately, it's a range of economic factors and not the government that will guide the NZD long-term.

### Week ending 6 October

The ASB New Zealand Commodity Price Index fell in USD terms in the week ending 6 October. The fall was broad-based with all of the main components falling.

Looking at the components, **forestry prices posted the largest fall**, dipping 2.6% in USD terms. Sheep/beef and fruit prices also fell, both down by 1.6%. Meanwhile, dairy prices fell 1.0% in USD terms last week, slightly less than the 2.4% fall at last week's dairy auction.



### ASB New Zealand Commodity Price Indices As at Friday 6<sup>th</sup> October 2017

	Index*	Week%	Year%**
Total NZD	108.8	0.2%	12.2%
Total SDR	99.9	-0.9%	8.6%
Total USD	92.4	-1.4%	9.2%
Dairy USD	92.1	-1.0%	15.4%
Sheep/beef USD	93.4	-1.6%	3.7%
Forestry USD	99.6	-2.6%	3.1%
Fruit USD	87.2	-1.6%	2.2%
NZD/USD	0.7094	-1.6%	-2.6%

\* For all indices 2014 average = 100

\*\* Percentage change since same week last year

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