

Commodities Weekly

For the week ending Friday 6th March



Going viral

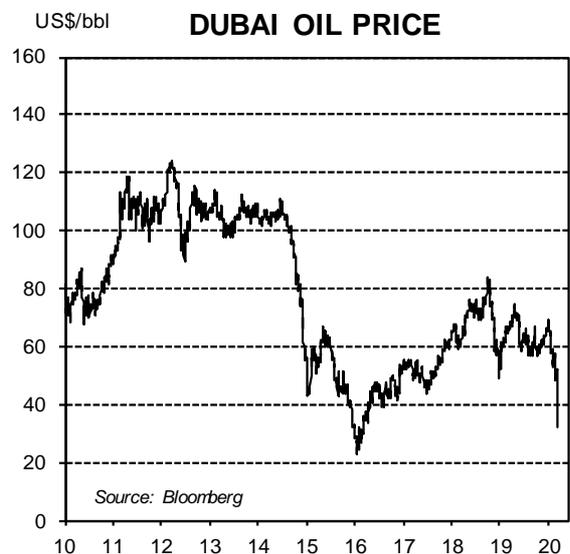
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This week the World Health Organisation declared COVID-19 a global pandemic. The move came as the virus epicentre shifted from China to Europe and latterly the USA.

Global commodity markets have been gripped by panic for most of the week as a supply disagreement between OPEC+ and Russia also unravelled. This news sent oil prices plunging, with oil prices effectively now half of what they were at the start of the year (see chart).

NZ commodity prices continue to hold up relatively well, with a weaker NZD also providing some buffer. Whole milk powder futures, for example, have slid a relatively modest 11% (in USD terms) since the start of the year.

Nonetheless, the global economic fallout may get worse before it gets better. Indeed, COVID-19 is proving unlike any other recent viral outbreak. So while it's somewhat comforting to be a food exporter during a global event like this, even food commodity prices are unlikely to be totally immune.



Week ending 6 March

The ASB Commodity Price Index fell in all denominations last week.

By component, dairy prices led the decline, sliding 5.2% in USD terms over the week. The dairy price fall was broad-based with all the commodities falling except casein.

The NZD/USD strengthened last week. However, this week the NZD has plunged as investors sought out safe haven currencies such as the yen and Swiss franc. As at the time of writing, the NZD/USD was trading at US\$0.6130, having been as low as US\$0.6090 at one stage.

ASB New Zealand Commodity Price Indices As at Friday 6th March 2020

	Index*	Week %	Year %**
Total NZD	104.4	-3.8%	0.3%
Total SDR	93.8	-3.0%	-6.7%
Total USD	94.1	-1.5%	-6.3%
Dairy USD	100.3	-5.2%	0.1%
Sheep/beef USD	84.9	1.6%	-9.7%
Forestry USD	81.9	2.3%	-22.0%
Fruit USD	109.4	2.3%	3.1%
NZD/USD	0.6356	2.3%	-6.6%

* For all indices 2017 average = 100

** Percentage change since same week last year

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