

Commodities Weekly

For the week ending Friday 13th April



China's Xi offers trade olive branch

Announces plans to lower auto tariffs

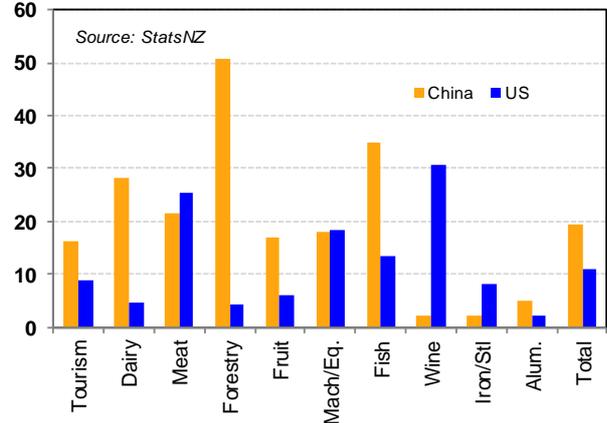
US-China trade tensions eased late last week, following an encouraging speech from Chinese President Xi Jinping. In particular, President Xi struck a conciliatory tone aimed at US interests, stating China “does not seek a trade surplus [and] we have a genuine desire to increase imports.”

Specifically, **Xi mentioned plans to lower tariffs on auto sector imports from the 25% currently in place.** In other nod to US concerns, the Chinese President noted plans for enforcing the Intellectual Property rights of foreign firms, proposals for increased market access for foreign financial services companies and reduced limits on foreign investment.

Despite the positive signs, **an agreement between the US and China remains somewhat off.** President Xi effectively re-iterated previously-outlined reforms, so that keen US observers are likely to wait for more concrete concessions.

Nonetheless, **the US reaction to the speech was positive.** President Trump even went so far as to instruct his official to investigate the possibility of re-joining the Trans Pacific Partnership. Moreover, **this development lowers the risk of NZ's trade interests being caught in the cross fire of a potential of US-China trade war.**

CHINA & US SHARES OF NZ EXPORTS BY SELECTED EXPORTS, 2017



Week ending 13 April

NZ commodity prices gained across the board in the week ending 13 April. The ASB Commodity Price Index rose 1.6% in USD terms. However, a firmer NZD/USD over the week meant the gain was more modest (0.3%) in NZD terms.

In a change from normal proceedings, aluminium and oil prices drove the Index gains in USD terms. Indeed, aluminium prices leapt 13%, while oil prices jumped 10%. Meanwhile, the major components posted more modest gains in USD terms.

Last week, the NZD strengthened as confidence returned to currency markets following the easing in trade tensions. This week, the NZD has so far largely held on to these gains; **as at the time of writing, the NZD was trading at US\$0.7350.**

ASB New Zealand Commodity Price Indices As at Friday 13th April 2018

	Index*	Week%	Year%**
Total NZD	109.7	0.3%	6.0%
Total SDR	101.4	1.3%	4.7%
Total USD	96.9	1.6%	12.4%
Dairy USD	90.6	0.2%	8.0%
Sheep/beef USD	96.8	1.3%	14.7%
Forestry USD	108.5	1.3%	12.1%
Fruit USD	111.5	1.3%	25.3%
NZD/USD	0.7359	1.3%	6.1%

* For all indices 2014 average = 100

** Percentage change since same week last year

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