

# Commodities Weekly

For the week ending Friday 19<sup>th</sup> January



## Kiwi dollar makes flying start to 2018 against USD

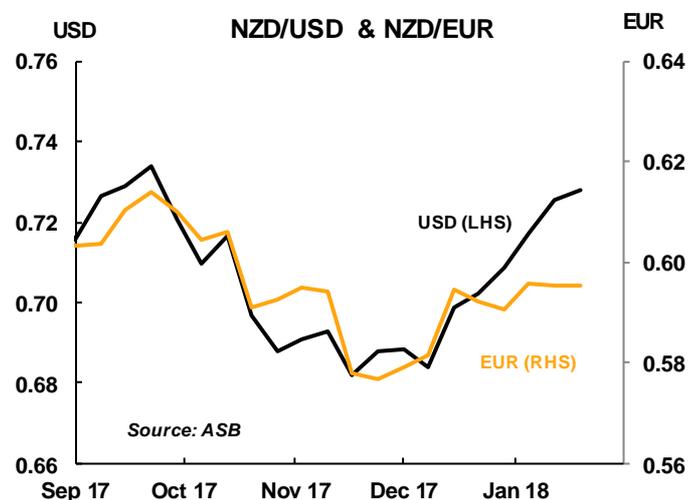
### The NZD has made a strong start to 2018 against the USD

The NZ dollar has made a strong start to 2018. So far over the month, the NZD has lifted around 3.2% against the USD.

However, the NZD has been more mixed against a wider basket of currencies. It has posted modest lifts of between 0.6% and 1.3% against the euro, AUD and yen (see chart), respectively, while it has actually lost ground against the pound.

It follows that much of the strength in the NZD/USD is in fact due to USD weakness rather than NZD strength. For example, over the last week or so the USD index has hovered around three-year lows.

That said, there are some key factors underpinning the improvement in NZD since early December 2017. These factors include the improved global growth outlook, global equity market strength, historically high NZ export commodity prices and still-low measures of market volatility. As these factors are likely to persist, we expect the NZD to remain firm over coming months. In turn, this may cap commodity price gains in NZD terms over the same period.



### Week ending 19 January

The ASB Commodity Price Index lifted in all denominations in the week ending 19 January. The lift was broad-based with all components posting gains.

Dairy prices led the way, in line with the lift at last week's dairy auction. In particular, butter prices surged 8.8% in USD terms, regaining some recent lost ground. Meanwhile, skim and whole milk powder rose 3.0% and 2.5%, respectively.

In addition, sheep/beef, forestry and fruit prices lifted over the week in USD terms. In particular, forestry prices rose to their highest level since mid-2017 over the week.

### ASB New Zealand Commodity Price Indices As at Friday 19<sup>th</sup> January 2018

	Index*	Week %	Year %**
Total NZD	106.4	1.4%	1.6%
Total SDR	98.2	1.2%	-2.8%
Total USD	93.0	1.7%	3.7%
Dairy USD	86.1	3.6%	-8.9%
Sheep/beef USD	93.3	0.4%	17.3%
Forestry USD	105.7	1.1%	11.2%
Fruit USD	105.1	0.3%	10.3%
NZD/USD	0.7277	0.3%	2.0%

\* For all indices 2014 average = 100

\*\* Percentage change since same week last year

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