

Commodities Weekly

For the week ending Friday 19th June



Tentative recovery continues in markets

The ASB Commodity Price Index lifted in all denominations last week, and the NZD continued to lift off recent lows. The Index posted a 0.8% lift in USD terms, while the 0.3% lift in the NZD meant the index was up a more modest 0.5% in NZD terms.

Dairy prices rose within the overall index last week, with the USD dairy index up 0.9%. As discussed in last week's Commodities Weekly, prices are moving in the right direction to support our \$6.50kgMS forecast for the 20/21 season at the moment.

The Sheep/Beef index was up last week too, lifting 1.3% in USD terms, but still down 12% on year-ago levels. Within the index, lamb prices were up 0.7% in NZD terms last week (but down 10.1% on a year ago) while beef prices were up 1.6% for the week (and down 6.6% on a year ago).

Oil price moves over recent weeks have been the most volatile of the commodities we monitor within this report. Global oil prices, along with sharemarkets, spent last week recovering after the preceding week's jolt lower.

The US benchmark Nymex crude futures prices hit the highest level since 6th March last Friday. Brent crude prices rose to US\$42.19 per barrel by last Friday, ending the week up 8.9%.

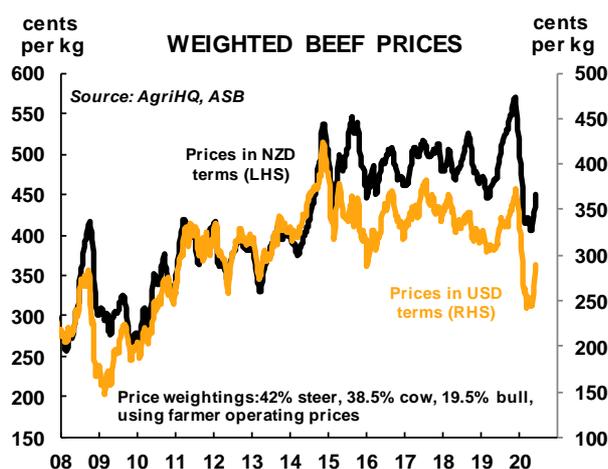
Although the lift was large, prices for oil remain low (see chart on page 2). Lower oil and in turn fuel prices are on balance positive for New Zealand because we are a net oil importer. For the export sector as a whole, we see lower oil prices as a net positive too. Lower oil and thus fuel prices support consumers' disposable incomes in our key markets and in turn support food demand. NZ's key export markets, notably China, are net oil importers. Lower oil prices may hurt food demand in some of our export markets where oil sales are a key source of revenue, but not enough to offset the increased demand elsewhere, in our view.

ASB New Zealand Commodity Price Indices As at Friday 19th June 2020

	Index*	Week %	Year %**
Total NZD	102.2	0.5%	-4.9%
Total SDR	93.8	1.0%	-6.5%
Total USD	93.2	0.8%	-7.2%
Dairy USD	92.1	0.9%	-8.2%
Sheep/beef USD	88.0	1.3%	-12.0%
Forestry USD	90.2	0.3%	-7.9%
Fruit USD	108.8	0.3%	4.3%
NZD/USD	0.6428	0.3%	-2.4%

* For all indices 2017 average = 100

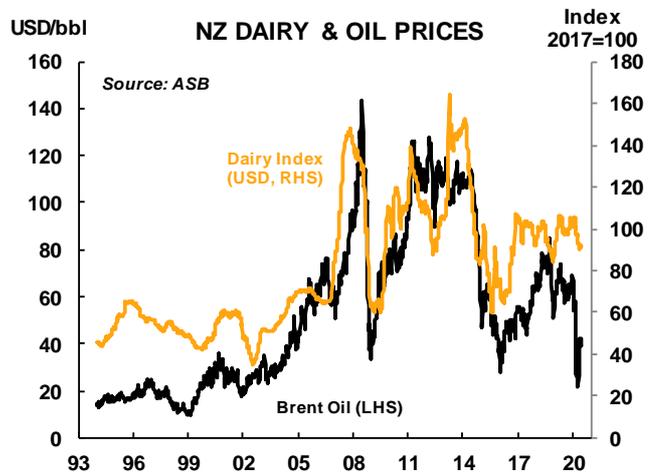
** Percentage change since same week last year



The NZD ground higher at the start of this week, and by Tuesday traded up towards 0.6500, within a cent of the 0.6579 high touched prior to the 11th June market volatility discussed in last week’s report.

Currencies, sharemarkets and commodity prices continue to wax and wane on changing global sentiment. Concerns over increasing COVID-19 cases are the key influence, but US-China trade tensions are still an issue too.

But the up and down ride for sentiment, and in turn financial markets, looks set to continue. On Tuesday (Monday UST) White House trade adviser Peter Navarro said the US trade deal with China is “over,” linking the breakdown to China’s handling of the coronavirus outbreak in an interview with Fox News. (Source Reuters, read more [here](#)). NZD dipped briefly on the news, but at the time of writing has largely recovered. It remains to be seen if “over” becomes official.



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