

# Commodities Weekly

For the week ending Friday 20<sup>th</sup> October

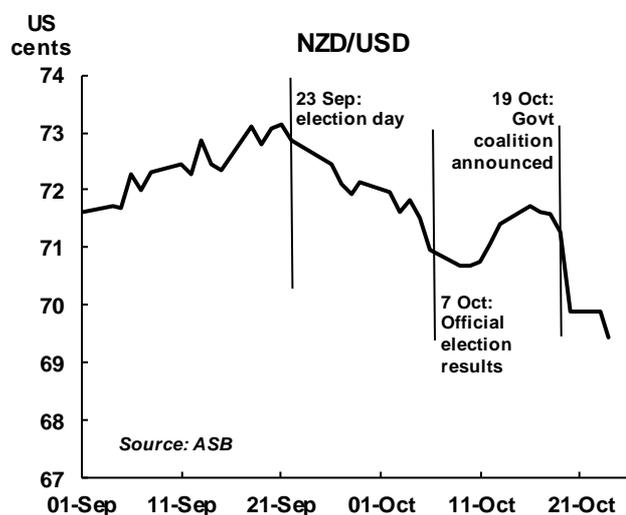


## Lower NZD a silver lining amongst Govt uncertainty

### NZD has fallen 3% since announcement

Markets reacted to last week's Labour-NZ First coalition agreement by pushing the NZD lower against all major currencies. The NZD fell 1.5 cents against the USD on the day of the announcement and the trade-weighted index (TWI) posted similar falls.

The NZD weakness has continued this week as markets venture to a certain degree into the unknown. A new PM, a new coalition government, new policies and new Ministers all come with questions and uncertainties. These details are being released gradually, but until markets gain a clearer understanding, the NZD will remain under pressure. The NZD is trading at \$US0.69 at the time of writing.



In the meantime, the weak NZD is providing an election silver lining to NZ exporters and NZ commodity prices generally. The NZD has fallen around 4% since prior to the election on both a USD and TWI basis. Indeed, this fall trumps the dip at the two dairy auctions since the election, for example.

From here and as the Government's policies and their implications become clearer, the NZD may regain some lost ground. As a result, some of the commodity price gains may not last.

### Week ending 20 October

The ASB New Zealand Commodity Price Index fell in USD terms in the week ending 20 October. The rise was broad-based with all of the main components posting declines. However, a dip in the NZD (as discussed above) meant the Index actually rose in NZD terms.

Looking at the components, **fruit and sheep/beef prices led the falls**, posting a 2.8% and 2.1% decline in USD terms, respectively. Meanwhile, the 1.3% dip in dairy prices over the week was largely in line with the fall at last week's dairy auction. Lastly, forestry prices fell 1.5% over the week.

### ASB New Zealand Commodity Price Indices As at Friday 20<sup>th</sup> October 2017

	Index*	Week %	Year %**
Total NZD	104.0	1.4%	10.5%
Total SDR	95.7	-1.1%	6.1%
Total USD	88.7	-1.5%	8.6%
Dairy USD	83.9	-1.3%	11.3%
Sheep/beef USD	93.1	-2.1%	6.5%
Forestry USD	99.0	-1.5%	5.5%
Fruit USD	85.7	-2.8%	2.9%
NZD/USD	0.6966	-2.8%	-1.7%

\* For all indices 2014 average = 100

\*\* Percentage change since same week last year

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