

Commodities Weekly

For the week ending Friday 22nd May

Excellent start

So far, kiwifruit export prices are proving very resilient despite COVID-19

Kiwifruit exports have continued their excellent start to the season. Season to April export values were \$572m, up 32% on the same stage a year ago.

Meanwhile, **gold export prices are tracking strongly, posting a 19% gain over the two months to date compared to a year ago.** Notably, while the 7% fall in the NZ dollar (in trade-weighted terms) explains some of this strength, the rest or bulk of the gain owes to strong demand.

However, **we retain some caution.** The global economy is in recession and the fallout will extend through the year, if not into 2021. Moreover, the gold crop is up 17% on 2019 and this extra volume may prove hard to move later in the season.

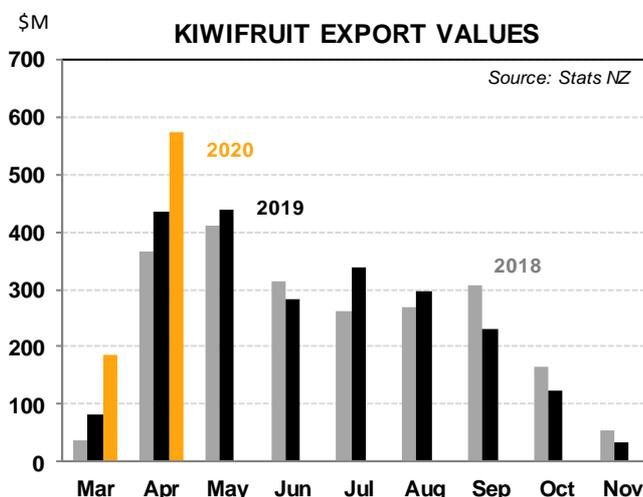
Nonetheless, **this excellent start to the season has led us to upgrade our view.** Zespri's Orchid Gate Return (OGR) guidance for 2020 is \$9.50-\$11.00 per tray – we now favour the midpoint of this range. Meanwhile, we retain our optimistic view on the green OGR (Zespri's range is \$5.00-\$6.50 per tray) and favour around the \$6.00 per tray mark.

Week ending 22 May

The ASB Commodity Price Index was mixed last week. The Index posted a gain of 1.8% in USD terms, however a stronger NZD/USD meant the Index fell 0.8% in NZD terms.

Sheep/beef prices led the gains in USD terms, lifting 4.4% over the week. Notably, beef prices jumped over 5%, while lamb prices also rose nearly 4%.

The NZD strengthened last week, ending the week up 2.6% against the USD. This week the NZD has continued to strengthen. **As at the time of writing, NZD was trading at US\$0.6210.**



ASB New Zealand Commodity Price Indices As at Friday 22nd May 2020

	Index*	Week %	Year %**
Total NZD	104.4	-0.8%	-4.5%
Total SDR	91.8	1.6%	-10.1%
Total USD	90.1	1.8%	-11.3%
Dairy USD	90.2	-0.1%	-14.3%
Sheep/beef USD	80.1	4.4%	-16.9%
Forestry USD	92.7	2.6%	-6.2%
Fruit USD	103.0	2.6%	1.7%
NZD/USD	0.6086	2.6%	-7.1%

* For all indices 2017 average = 100

** Percentage change since same week last year

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