

Commodities Weekly

For the week ending Friday 24th July



NZD lifts to six-month high, gold hits an all-time high

The ASB Commodity Price Index dipped 0.4% in NZD terms over the week ending 24th July, with a 1.5% NZD appreciation vis-à-vis the USD offsetting the underlying commodity price movements.

The ASB index posted a 1.1% lift in USD terms, with the USD sheep/beef index gaining 1.1% last week. Lamb prices were steady but beef and wool prices rose in NZD terms last week, helping the index gain.

Last week's release of June trade figures provided insights and prices for the fruit and seafood components of the ASB index. Both the seafood and fruit indices have eased over recent months, but are up on year-ago levels. Over the three months to 30 June, the total value of fish, crustaceans, and molluscs exports was down 28% on a year earlier. In contrast, the value of fruit exports over the three months to June were up 10% on a year earlier, reflecting increases in prices and volumes.

Looking specifically at the month's exports for June, Stats NZ reports that higher milk powder exports and a recovery in log exports helped boost total exports in June 2020 to \$5.1 billion, \$107 million higher than June 2019.

Log exports have been significantly impacted by COVID-19 disruptions over Q2 2020. Exports slumped in April after harvesting stopped because it was not seen as an essential service. In the June export data we saw some catch up from that slump. Log export volumes up in June were up 8.8% on a year earlier, and values were up 7%.

NZD/USD has lifted over recent weeks, courtesy of a softer USD and support for the NZD itself from the strength in commodity prices. Over the past week NZD/USD traded around the highest levels in 6 months, just shy of 0.6700. AUD is also garnering support from a softer USD and firm commodity prices.

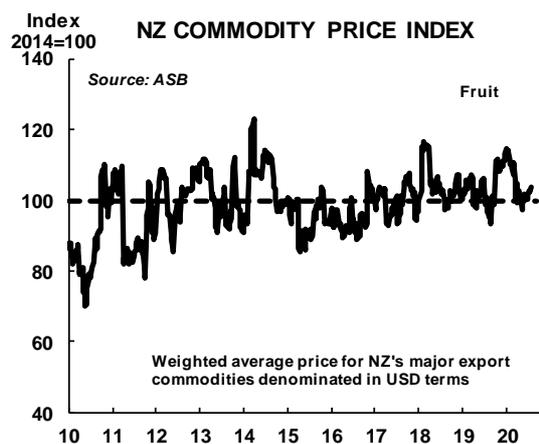
On a final note for the week, the price of gold has just set a new record high of US \$1,980 per ounce, beating the previous high of \$1,920 set back in 2011. Whilst NZ commodity price developments over recent months have been largely driven by recovering demand for consumption, the gold price surge this year seems to be fueled by investors looking for alternative assets to ride out the COVID -19 pandemic.

ASB New Zealand Commodity Price Indices As at Friday 24th July 2020

	Index*	Week %	Year %**
Total NZD	102.3	-0.4%	-3.0%
Total SDR	95.6	0.5%	-4.3%
Total USD	96.3	1.1%	-2.9%
Dairy USD	98.6	0.4%	-1.0%
Sheep/beef USD	94.3	1.8%	-10.3%
Forestry USD	87.4	1.5%	-0.8%
Fruit USD	103.7	1.5%	4.7%
NZD/USD	0.6639	1.5%	0.0%

* For all indices 2017 average = 100

** Percentage change since same week last year



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