

# Commodities Weekly

For the week ending Friday 26<sup>th</sup> June



## Surging COVID-19 cases causing concerns

The ASB Commodity Price Index lifted in all denominations last week, and the NZD/USD is trading near 0.6420, around 1½ cents off its recent high. The ASB index posted a 0.4% lift in USD terms, while the 0.3% easing in the NZD meant the index was up 0.7% in NZD terms.

Dairy prices rose within the overall index last week, with the USD dairy index up 0.7%. The Sheep/Beef index was up last week too, by 0.7% in USD terms, but still down 14% on year-ago levels. The weekly movements for the forestry and fruit indices simply reflected the NZD movement over the week.

**The focus in financial markets remains on the renewed increase in COVID-19 infections in the US and elsewhere.**

The US is recording the highest number of daily cases since the outbreak began, with nearly 45K cases recorded Monday of this week. The 7-day moving average of cases is also at a record high too, recently climbing above the previous peak in early April. The strong lift in cases in Texas, Florida, and California is a spanner in the works for reopening state economies. Over the past week both Texas and Florida have halted drinking at bars. In Texas, restaurants are returning to operate a 50% capacity to try to contain the outbreak. Restaurants in Texas had previously been operating at 75% capacity, and bars at 50%. Arizona's reopening plans have also paused due to the surge in new cases there. New daily cases in other parts of the world, especially Brazil and India are extremely high.

Reopening is proving challenging. An important aspect of this as far as New Zealand's key exports are concerned is the likelihood that people will continue consuming more of their food at home than usual. This in turn changes the types of things people eat, and the demand for particular exports.

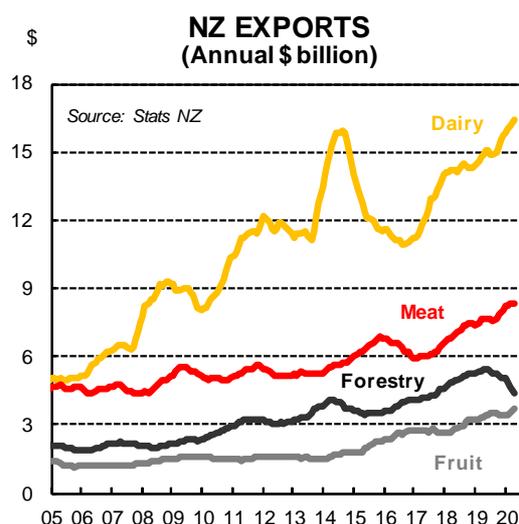
NZ export data showed signs of this last week. Stats NZ data for May exports showed average export values for lamb falling significantly on April, as well as on year-ago levels. AgriHQ note that it was frozen lamb prices (the main product this time of the year) that were especially weak. Venison export volumes are also down significantly on year-

### ASB New Zealand Commodity Price Indices As at Friday 26<sup>th</sup> June 2020

	Index*	Week %	Year %**
Total NZD	102.1	0.7%	-4.4%
Total SDR	93.5	0.4%	-8.0%
Total USD	92.8	0.4%	-8.9%
Dairy USD	92.8	0.7%	-7.5%
Sheep/beef USD	88.6	0.7%	-14.0%
Forestry USD	89.9	-0.3%	-10.2%
Fruit USD	105.2	-0.3%	-1.2%
NZD/USD	0.6406	-0.3%	-4.7%

\* For all indices 2017 average = 100

\*\* Percentage change since same week last year

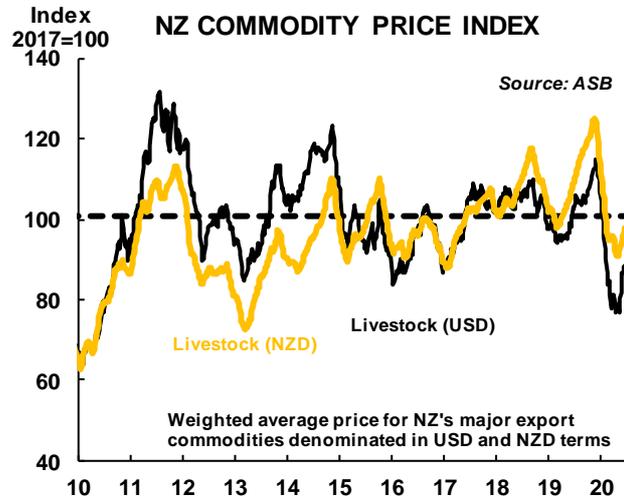


ago levels, although the prices were good for the product that was exported.

The total value of meat exports in May were down 4% on the same month a year ago and 5.1% in seasonally-adjusted terms on April. However, the dip does come after a very strong March 2020 month for meat exports. The total value of meat exports over the past three months is up 2.5% on the corresponding period last year.

It was encouraging to see the same trade data showed New Zealand exported \$242 million (36%) more gold kiwifruit and nearly \$7 million (23%) more green kiwifruit in March, April, and May than it did during the same period last year. The lift is a combination of both volume and value increases on a year ago.

We will be watching for, and reporting on signs of changing consumer eating habits in future reports.



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