

# SGX-NZX Dairy Derivatives Pre-GDT Digest

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## SGX-NZX commodities currently discounted over EU, US

SGX-NZX derivatives are anticipating declines across commodities ahead of this week's GDT event, led by an expected decline of -12.0% in C2 unsalted butter. Butter prices appeared to reach a price ceiling in mid-June at US\$7,300/t, and closed \$1,200 lower on Friday at US\$6,100/t. This decline in Oceania butter prices, combined with rising European butter prices, has widened the spread from the generic 2nd contract out to generic 6, causing the differential to rise to the 95th percentile threshold. Historically, we have observed this pattern when the European premium over Oceania continues to climb.

US butter prices have sharply declined out the back of the curve in G5 and G6 over the past month. If this downward trend persists, the US and NZ curves will converge, pushing the differential down to the 5th percentile, a level last observed in March 2022.

Skim milk powder (SMP) from New Zealand has been predominantly backwarddated throughout most of 2024 and is currently the cheapest SMP product in the dairy markets. A recent increase in European skim prices has caused the price curves of these markets to converge. Given the close correlation between these curves, the differential frequently reaches the 5th and 95th percentile extremes more often than other dairy products.

At present, US non-fat dry milk (NFDM) is trading at a premium over New Zealand skim in the generic 3rd contracts – a rare occurrence in these markets. Since June 2024, the differential has consistently been above the 95th percentile. SGX-NZX futures are currently anticipating a -2.9% decline in SMP at this week's event.

The SGX-NZX BTR/AMF curve is closely correlated, with AMF naturally at a price premium over Butter. As these curves converge, the differential spikes in the 5th and 95th extremities. AMF futures are pricing in a -3.3% drop at GDT.

We saw strong trading in the SGX-NZX options market in July, with volumes up 170% M-o-M. The put to call ratio in WMP options stands at 2.42, indicating a fairly bearish sentiment through the market for WMP prices. Futures are pricing a -1.6% drop in WMP ahead of this week's GDT event. Overall, a bearish outlook going into Event 361 as uncertainty in dairy prices in 2024 continues.

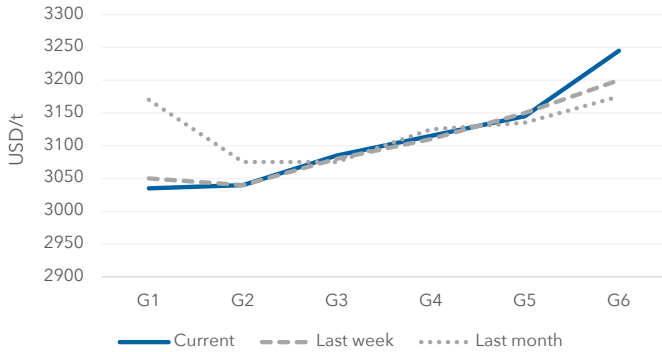


**Courtney Holden**  
Derivatives

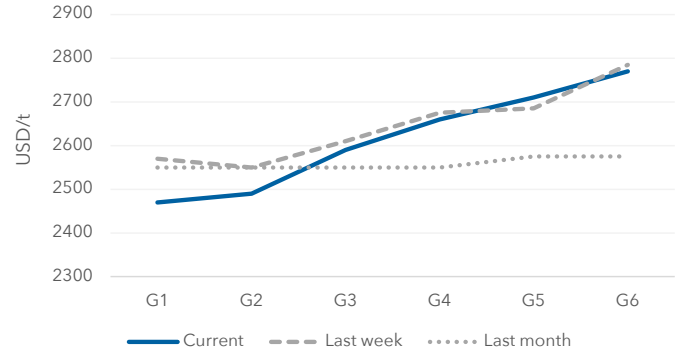
GDT WMP IMPLIED % CHANGE <b>-1.6%</b>	GDT SMP IMPLIED % CHANGE <b>-2.9%</b>	GDT AMF IMPLIED % CHANGE <b>-3.3%</b>	GDT BTR IMPLIED % CHANGE <b>-12.0%</b>	NZX MILK PRICE CALCULATOR (NZD/KGMS) <b>8.32</b>
SGX-NZX WMP AUG-24 (USD/T) <b>3035</b>	SGX-NZX SMP AUG-24 (USD/T) <b>2470</b>	SGX-NZX AMF AUG-24 (USD/T) <b>6730</b>	SGX-NZX BTR AUG-24 (USD/T) <b>6100</b>	SGX-NZX MKP SEP-25 (NZD/ KGMS) <b>8.51</b>

# SGX-NZX Dairy Futures & Shape-of-Curve

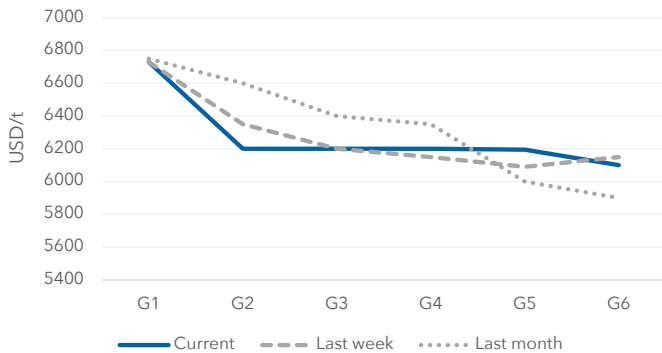
SGX-NZX WMP Futures Curve G1 - G6



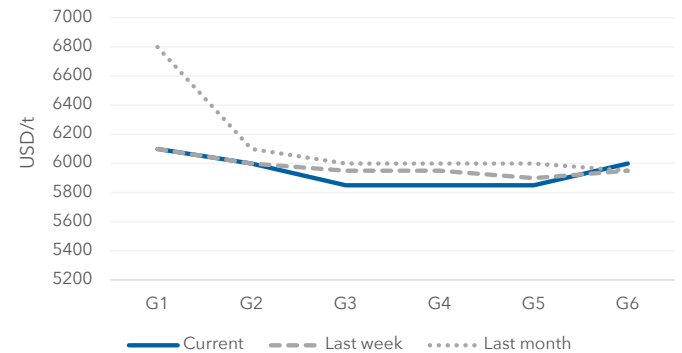
SGX-NZX SMP Futures Curve G1 - G6



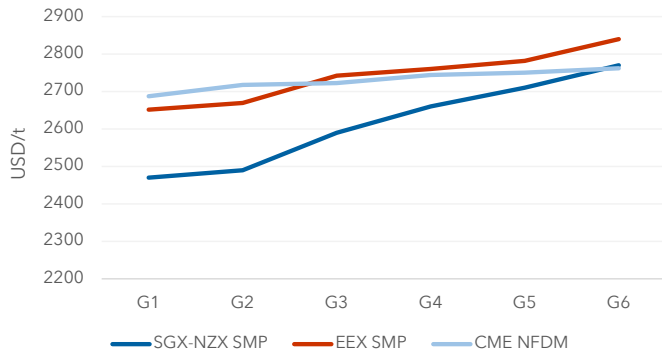
SGX-NZX AMF Futures Curve G1 - G6



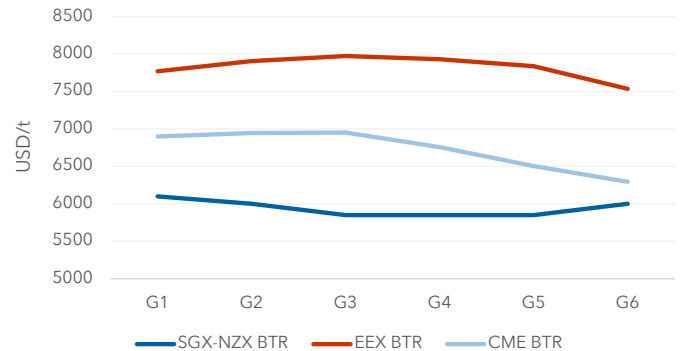
SGX-NZX BTR Futures Curve G1 - G6



SMP/NFDM - Cross-Exchange Comparison G1 - G6



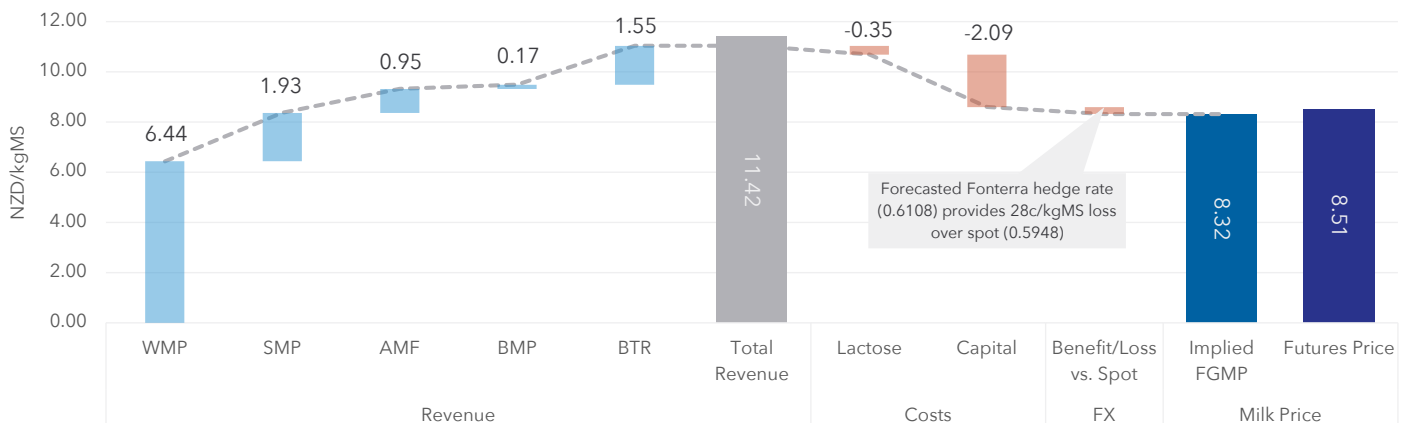
Butter - Cross-Exchange Comparison G1 - G6



Source: Bloomberg

Source: Bloomberg

## NZX Milk Price Calculator Implied Price vs SGX-NZX MKP Futures, 2024-25 Season



SGX-NZX Milk Price Futures for 2024-25 are currently trading at a premium over the NZX Milk Price Calculator, on the back of a lower NZD/USD exchange rate over the past two weeks. Our view is that Fonterra has hedged roughly 60% of their exchange rate risk on sales at rate around 0.6108 US cents per NZ dollar. The current snapshot price for the Milk Price Calculator is \$8.52/kgMS based on solely GDT 360 commodity prices.

# Cross-Commodity & Cross-Exchange Spreads

**SGX-NZX Cross-Commodity - SMP vs WMP (Generic 2nd)**



**SGX-NZX Cross-Commodity - BTR vs AMF (Generic 2nd)**

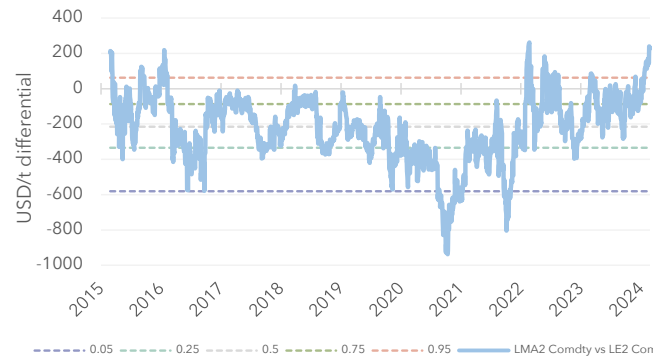


**SGX-NZX vs EEX Cross-Exchange - SMP (Generic 2nd)**



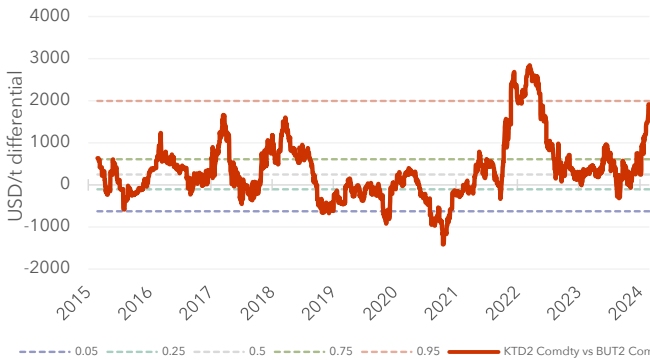
Source: Bloomberg

**SGX-NZX vs CME Cross-Exchange - SMP/NFDM (Generic 2nd)**



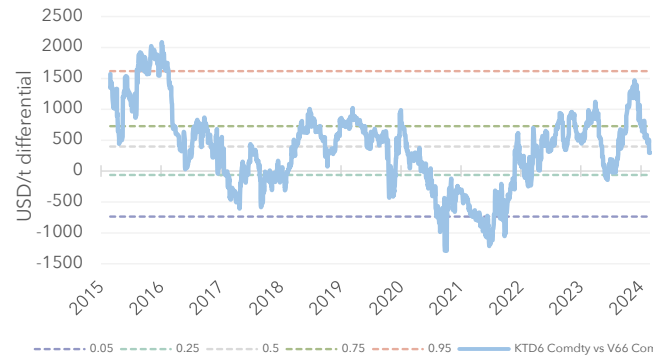
Source: Bloomberg

**SGX-NZX vs EEX Cross-Exchange - Butter (Generic 2nd)**



Source: Bloomberg

**SGX-NZX vs CME Cross-Exchange - Butter (Generic 6th)**



Source: Bloomberg

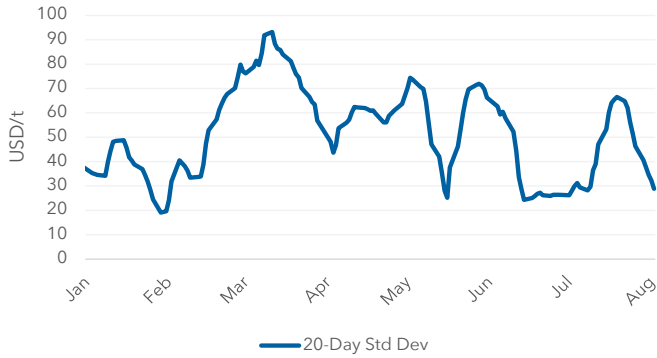
Generic 2nd contract premium for US SMP/NFDM over NZ has crossed over 95th percentile, with the premiums for G2 European butter and SMP also rising to a 95th percentile premium over NZ. Declines in C6 US butter have caused prices to almost converge with C6 NZ butter.

Please note that cross-exchange prices for butter and SMP/NFDM are not normalised for fat and protein content.

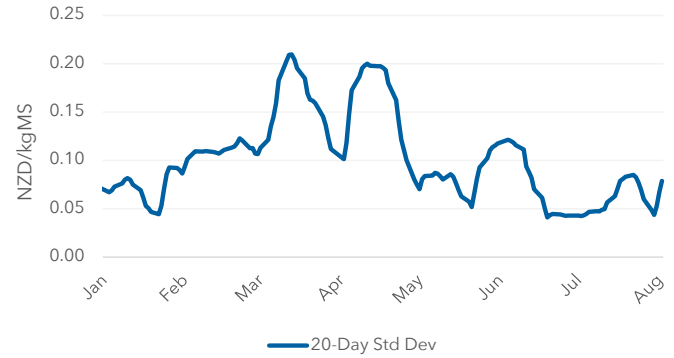
Dashed lines on each graph indicate the 5th, 25th, 50th, 75th, and 95th percentiles over a rolling nine year period for their respective series.

## Volatility indicators

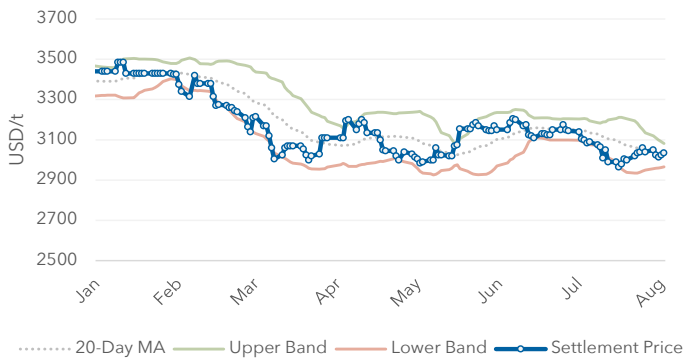
**SGX-NZX WMP 20-Day Volatility (Standard Deviation) (Aug-24)**



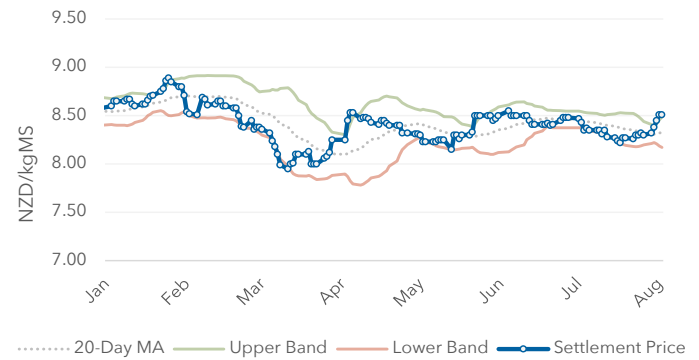
**SGX-NZX MKP 20-Day Volatility (Standard Deviation) (Aug-24)**



**SGX-NZX WMP Historic 20-Day Bollinger Bands (Aug-24)**

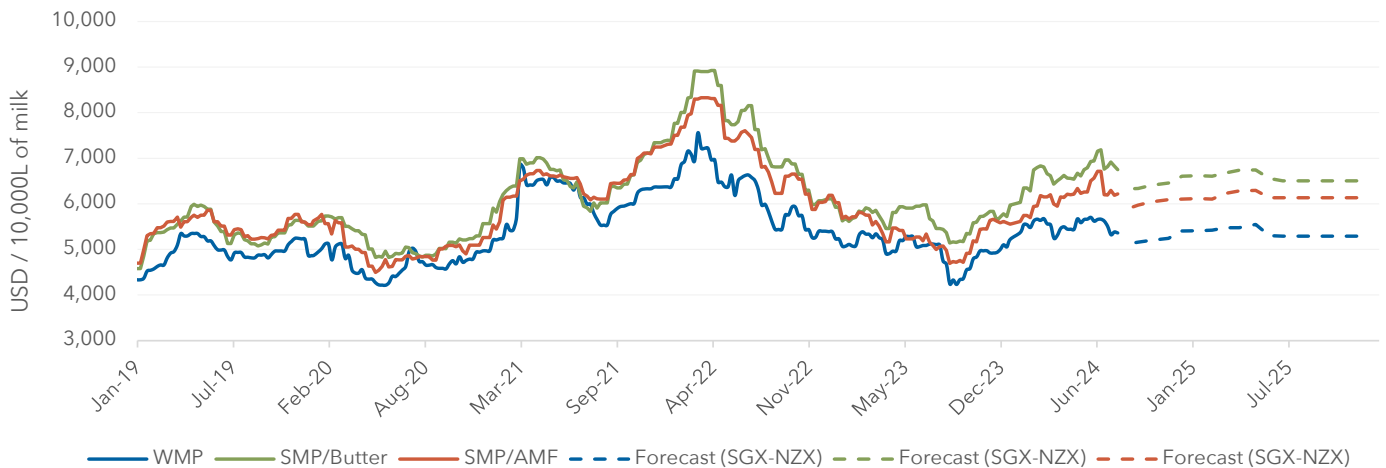


**SGX-NZX MKP Historic 20-Day Bollinger Bands (Aug-24)**



Volatility for the Aug-24 WMP contract has declined following the last GDT auction, with prices at GDT Pulse flat over the interim period. Volatility for the 2024-25 MKP contract has been low through July, with a recent spike in the past week with prices rising to \$8.51/kgMS. Please note that Bollinger Bands are two standard deviations above and below the 20-day moving average of settlement prices.

### NZX Stream Return Forecast (based on SGX-NZX Futures Prices and NZX commodity price survey as reference)



The NZX Stream Return Forecast depicts WMP providing the worst returns out of the major products, with this being the case for the past few months. With futures curves for WMP and SMP in contango through late 2024 and beyond, returns for all products are expected to improve, peaking in April 2025.



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