



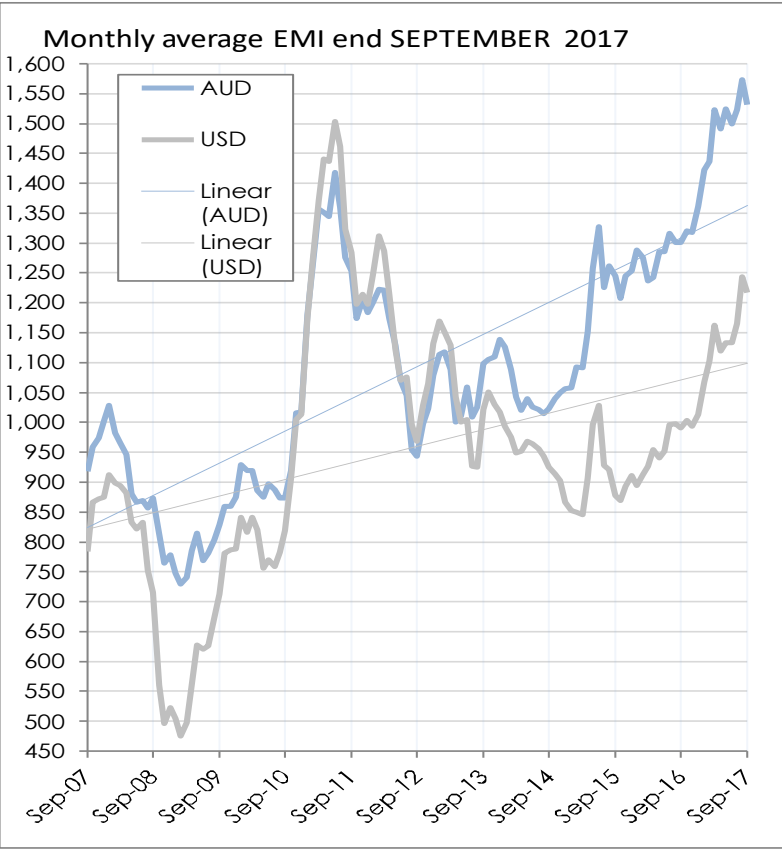
WOOL MARKET WEEKLY REPORT

Sale Week 16: Fri 20th Oct '17



Offering—Aust. only		Currency movements		
Bales offered	45,792	AUD:USD	0.7852	+ 0.45%
Passed-In %	6.0 %	AUD:CNY	5.2067	+ 1.07%
Bales Sold	43,026	AUD:EUR	0.6653	+ 1.08%
Season Sold	518,047	RBA close rate Thurs 19th Oct 2017		

Eastern Market Indicator (EMI)			
AUD	1568 ac/kg	+ 2 ac/kg	+ 0.13%
USD	1231 usc/kg	+ 7 usc/kg	+ 0.58%
CNY	81.64 ¥/kg	+ 0.97 ¥/kg	+ 1.20%
EUR	10.43 €/kg	+ 0.12 €/kg	+ 1.21%



AWEX Auction Micron Price Guides.

Sales held Wed 18th & Thurs 19th October 2017

MPG	Sydney	Melbourne	Fremantle
17mic	2338 +37	2284n +4	-
18mic	2161 +5	2144 +5	2103n +20
19mic	1885 -1	1888 +24	1888 +2
20mic	1657 -24	1645 -22	1638 -25
21mic	1553 -36	1550 -32	1534 -28
22mic	1476n	1481 -21	1481 -27
23mic	-	1437n -37	-
24mic	-	1345n	-
25mic	-	1175n -9	-
26mic	1043 -10	1049n -15	-
28mic	726 -27	741 -30	-
30mic	521 -5	514 -4	-
32mic	-	401n -2	-
MCard	1206n +18	1209n +37	1203n +24

Riemann Wool Platform- Forward trades past week

Maturity month	Type	Price	Trade weight
November 2017	18.5 micron	2000	7,000
November 2017	19.0 micron	1865 / 1875	10,000
November 2017	21.0 micron	1540	5,000
December 2017	18.0 micron	2058	2,500
December 2017	19.0 micron	1860 / 1875	6,000
January 2018	19.0 micron	1845	10,000
January 2018	21.0 micron	1535	6,000
February 2018	18.5 micron	1970 / 2000	7,000
February 2018	19.0 micron	1855	2,500
March 2018	17.5 micron	2150	2,500
March 2018	19.5 micron	1710	2,500
April 2018	18.5 micron	1975	3,000
April 2018	19.0 micron	1825 / 1830	5,000
June 2018	21.0 micron	1500	10,000
Total			79,000 kgs

Scheduled Australian Wool Auction Sales

Sale week commencing	2017/18 forecast	2016/17 actual
Week 17 23/10/2017	43,764 bales	42,190 bales
Week 18 30/10/2017	43,760 bales	45,976 bales
Week 19 06/11/2017	40,745 bales	47,139 bales

AWI Commentary

Australian wool auctions on the surface appeared to be rather mundane this week, but some vastly differing results were recorded across the wool type spectrum. Demand picked up on super fine Merino and cardings, causing positive price movement, whilst the broader than 19 micron Merino and crossbred sectors all suffered a slowing in interest and negative price impacts in reaction to the strengthening AUD (Australian Dollar) versus the three major wool trading currencies of the USD (US dollar)/CNY (Chinese yuan) /Euro exchange rates. The AWEX EMI (eastern market indicator) did manage to pick up 2ac though and closed the week out at 1568ac/clean kg.

Underlying strength of demand remains in play evidenced by the EMI expressed in foreign buying currencies outperforming the AUD local market. The USD EMI appreciated by 0.6% during the course of this week's selling to close at 1231usc/clean kg but the CNY continued its relative and historical switch away from the normally rate pegged behaviour with the USD against the AUD and advanced doubly by over 1.2%. Similar advances of 1.2% were also made in Euro terms. Year on year comparisons show the EMI price levels are currently 20.5% higher in USD terms, and 17.8% increase in AUD, emphasising the robust appeal that wool currently holds.

This week was a designated super fine (less than 18.5 micron) sale in Sydney, and the timing couldn't have been better for wool grower sellers. The larger supply on offer hit a red hot market for all wools in that category. Continuation of the current trend in place whether it be fleece, skirtings or carding types, was intense. Even though the quotations were raised generally by 40 ac/clean kg, some individual fleece types in the 16 to 17.5 micron area gained 60 to 80ac.

Remarkably, the bull run of the lower end super fine types of the weak SS (staple strength) and high PobM (position of break % in the middle) wools was sustained this week. Prices further increased and these wools were perhaps the largest beneficiaries of the market improvements. Put in perspective, the past 3 weeks has seen these wools around 17.5 micron advance 150ac/clean kg.

The 18.5 to 20 micron Merino wool descriptions sold to a generally unchanged scenario, with mainly an alignment of prices occurring across the three Australian selling centres. It was a different story though for any wools broader than 20 micron as 25 to 30ac/clean kg was eliminated from values. Currency did have a minor affect, but buyer willingness has slowed as shipments are not required to be completed for a few weeks yet and holding costs can be detrimental to the exporters bottom line. This price resistance started to appear late last week as exporters wouldn't commit to exposure to Chinese requests for forward orders of the magnitude required and thus all order seemed to head into the indent operators hands for the time being.

Carding prices gained strongly throughout and the intensity of the competition forced an almost 3% gain upon the buyers. Similar to the Merino fleece, it was the finest micron lots that attracted the strongest of attention.

Unfortunately it was completely a reversal of fortunes with the crossbred wools, as all types were again under price pressure from the outset and lost upwards of another 35ac for the week.

Next week features an offering of about 44,000 bales. Similar trends are expected and buyers will no doubt be looking at the up coming sale schedules as some good rains have hit a few of our growing regions and shearing may slow, delaying wool into store to be sold.

AUD Commentary - SA Markets

The Aussie Dollar rallied Friday, helped by a weakening USD, and is trading at .7885, rallying almost back to Monday's opening of .7890. The Aussie fell mid-week to a low on Wednesday of .7816 before lifting Thursday's on better than expected Employment Data, with the September ABS Data showing the Unemployment rate dropping to 5.5%, against the expected 5.6%, as 19,800 new jobs were added, and 12,290,200 people now employed. Hours worked also lifted by 0.7% , or 11.2 million hours. The Aussie especially benefited from a tumbling NZD which plunged Thursday night when New Zealand's labour party secured an unexpected election victory through a deal with the NZ First party. Jacinda Ardern will become the next Prime Minister. Both Labour and NZ First propose reduction in net immigrations and reform on the RBNZ. The Labour-led government would likely boost social spending and prolonging RBNZ's accommodative policy. Meanwhile the USD fell on a report that President Donald Trump was leaning toward Jerome Powell as the next chair of the Federal Reserve. Powell, a Federal Reserve governor, is favoured by Treasury Secretary Steve Mnuchin. Powell would be expected to favour lower interest rates for the United States, reducing the value of the dollar to investors.

Technically the AUD/USD remains neutral for the moment, still contained within a wide trading band. A further small rise is likely, with a target of .8136 the next resistance level. At this stage we don't expect a break above that support lies at this weeks low of .7816, then .7732. A break below that would trigger a larger fall to key support .7482



Southern Aurora Wool Forwards report

Another topsy turvy week for the auction market. Fine wools kept their momentum while medium merinos and crossbreds lost ground. Forward markets again delivered strong results for the hedges across all merino micron and deliveries to June 2018. Highs were achieved pre Christmas with 18.0 trading to 2058, 18.5 to 2000 and 19.0 to 1875. Post Christmas traded strongly 18.5 averaging around 1975 and 19.0 up to 1855. Probably the highlight from a hedging viewpoint was the 21.0 microns that traded January at 1535 and June at 1500 while the spot market lost 30 cents in the week. Bidding interest waned into Thursday with exporters looking to get some confirmation from offshore.

We expect levels to steady into next week but opportunities to still present themselves. Most importantly growers should be able to manage their profit margin at levels above the 90 percentile thereby valuing certainty over the fear of missed opportunity.

Anticipated trading levels next week

	18.5u	19.0u	21.0u
November 2017	2000	1870	1540
December 2017	1980	1860	1530
Jan to March 2018	1970	1840	1510
April to June 2018	1960	1820	1480

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