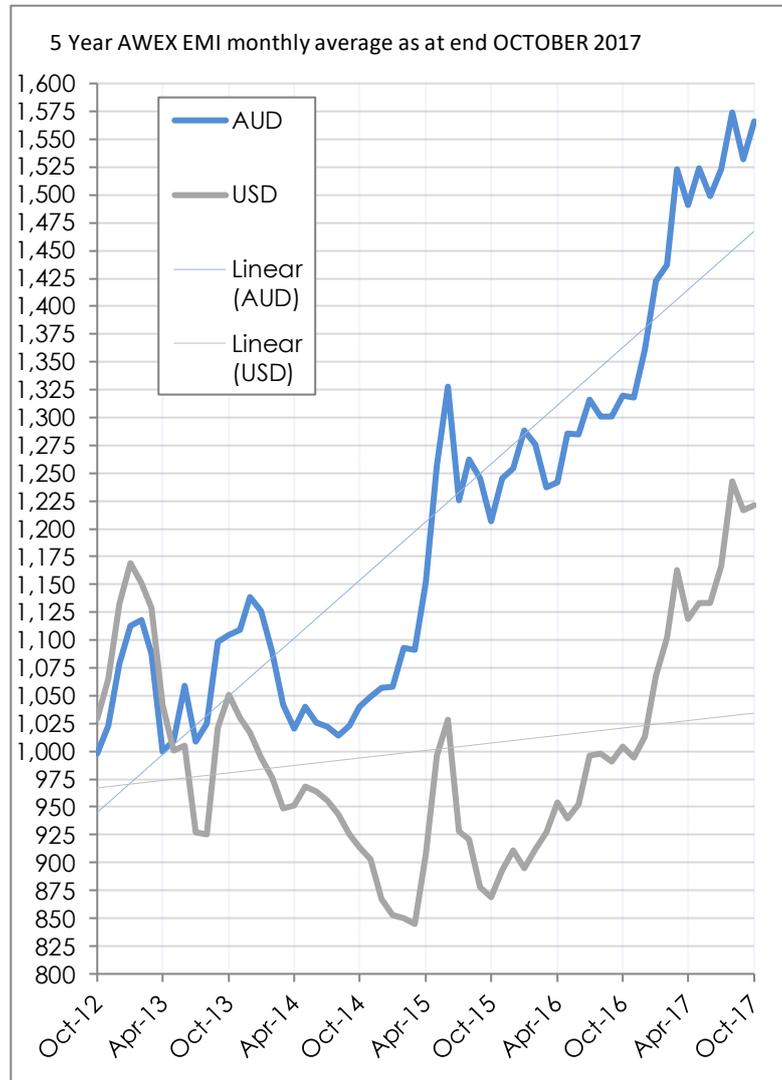




WOOL MARKET WEEKLY REPORT

Sale Week 17: Fri 27th Oct '17

Offering—Aust. only		Currency movements			Eastern Market Indicator (EMI)			
Bales offered	42,875	AUD:USD	0.7706	- 1.86%	AUD	1578 ac/kg	+ 10 ac/kg	+ 0.64%
Passed-In %	3.2 %	AUD:CNY	5.1101	- 1.86%	USD	1216 usc/kg	- 15 usc/kg	- 1.23%
Bales Sold	41,492	AUD:EUR	0.6516	- 2.06%	CNY	80.64 ¥/kg	- 1.00 ¥/kg	- 1.23%
Season Sold	559,539	RBA close rate Thurs 26th Oct 2017			EUR	10.28 €/kg	- 0.15 €/kg	- 1.43%



AWEX Auction Micron Price Guides.

Sales held Wed 25th & Thurs 26th October 2017

MPG	Sydney	Melbourne	Fremantle
17mic	2377 +39	2273n -11	-
18mic	2201 +40	2153 +9	2115n+12
19mic	1920 +35	1892 +4	1906 +18
20mic	1668 +11	1653 +8	1661 +23
21mic	1560 +7	1556 +6	1558 +24
22mic	1483n +7	1491n +10	1490n +9
23mic	-	1459n +22	-
24mic	-	-	-
25mic	1141n	-	-
26mic	1014 -29	1014 -35	-
28mic	707 -19	705 -36	-
30mic	515 -6	518n +4	-
32mic	-	399n -2	-
MCard	1233n +27	1239n +30	1236n +33

Riemann Wool Platform- Forward trades past week

Maturity month	Type	Price	Trade weight
November 2017	18.5 micron	2000	5,000
December 2017	18.5 micron	2000	9,500
February 2018	21.0 micron	1530	5,000
March 2018	20.0 micron	1600	2,000
March 2018	21.0 micron	1520	3,500
May 2018	18.0 micron	2000	4,000
May 2018	18.5 micron	1960	14,000
Total			43,000 kgs

Scheduled Australian Wool Auction Sales

Sale week commencing	2017/18 forecast	2016/17 actual
Week 18 30/10/2017	47,266 bales	45,976 bales
Week 19 06/11/2017	40,870 bales	47,139 bales
Week 20 13/11/2017	44,270 bales	47,139 bales

Demand for Australian Merino wool has gained further momentum with strong price gains across all Merino types at wool auctions this week. Unfortunately the same is not the case for our crossbred wools which faltered once more with prices diminishing on almost all of the offering. All carding wools continued the recent advancement and interest in these types appears insatiable at present with prices well over 1200ac on the indicators. Whilst initially 5ac lower for the first half of the week, the AWEX EMI (eastern market indicator) surged strongly through to the close on the final day to post a healthy 10ac clean/kg rise for the week. The EMI closed at 1578ac/clean kg which is 247ac higher than at the same time last year.

A large proportion of the gains can be put down to the advantageous currency movements against the AUD. With all three of the major currencies used in wool trading depreciating by 1.8 to 2%, an equalising factor was in play, as most Merino types appreciated in AUD terms locally by similar amounts. The market adjustments on Merino wool wiped out the forex advantage, but shows the willingness of overseas manufacturers to keep supply up to their machines at the converted prices. It must be recognized though, that most of the manufacturing world considers Merino price levels to be "high", particularly at the finest end of the clip.

Only the carding wool sector prices outstripped any currency shift into the positive, but the carding market is largely the domain of the largest manufacturer and trader of these wools and it is assumed it would predominantly be using AUD for purchases. The crossbred price worsens considerably as the double addition of local level loss and currency factors are combined. Global stocks mainly from outside of Australia remain the biggest inhibitor to any improving price scenario for crossbred wools. These wool types and descriptions are an important portion of the Australian wool clip and last season made up around 18% of our clip, although this is down from the high of approximately 21% of the clip six years ago in season 2011/12.

This week's auctions featured some widely variable published results between centres. For super fine (less than 18.5 micron) Merino prices guides there are confusing disparities of between 50 to 100ac clean/kg between mainly the North and South levels. This area of the market is currently the most well sought after and it would seem strange if buyers of the same companies were using such differing prices between the centres. In general the Super fine Merino types registered gains of up to 50ac clean/kg for the week, most of which came on the final day of selling.

The 18.5 to 22 micron Merino wool descriptions sold 5 to 20ac clean/kg dearer. Although competition was steady and enquiry consistent from overseas throughout, in US terms the prices actually fell, showing how some manufacturers are hitting perceived price resistance. Prompt and October shipment deadlines are fast approaching in the next few weeks, but the relatively larger volumes should see these outstanding orders easily catered for.

Carding prices gained strongly throughout and a further 2.5% increase was recorded in general as prices moved up 30ac. Consecutive rises over the past two weeks has seen a cumulative yield of almost 5% of value added to the sector's returns. Conversely the crossbred selection on offer was 30ac cheaper and traded to very lacklustre interest from the trade.

Over 47,000 bales are rostered to be sold in Australia next week. The trend is strong on Merino and weak on Crossbred and nothing seems to be in play presently to change those expectations.

It was one way traffic for the Aussie Dollar this week, starting Monday on the high at .7836, and tumbling to a fresh three month low Friday of .7654, where the market is now. Mid-week the AUD was hammered after the release of Australia's headline CPI data with a 0.6% rise, well below forecasts of a 0.8% increase. This saw our annual inflation slow to 1.8% and all well below the RBA forecast and continuing the pattern seen in each of the prior seven quarters. Of course analysts immediately backed of any rate rise till mid 2018. On Thursday the AUD was hammered again as Guy DeBelle, the RBA Deputy Governor conceded in a speech "Our assessment of the economy is that there is still sizeable spare capacity in the labour market and we are cautious on the outlook for low wage pressures and subdued inflation". He lamented "It is now late October and we won't receive any official read on GDP in the current quarter until the national accounts are released in early March of next year.

The AUD was also pressured as the USD rallied on better data and lifted again on the announcement by ECB President Mario Draghi that he will halve the size of its asset purchase program to €30 billion between January and September next year as expected, however he surprised all by saying he could significantly extend the asset purchase program (printing money) if conditions warranted. He also kept its two key interest rates unchanged for a thirteenth consecutive meeting.

Technically the AUD remains within a broad sideways pattern, however it is falling toward key support of .7624, a break below there would see next support at .7516 then .7380. On the upside significant resistance still lies at .7908. The AUD is oversold & small bounce is expected however charts suggest downside.

Southern Aurora Wool Forwards report

The auction market opened with all microns losing ground on Wednesday only to rebound immediately of the back of better off shore interest and a weaker Australian Dollar. This left both sides of the forward markets perplexed. Buyers were keen to start the week bidding to cash through to Christmas recess. Sellers were hesitant taking this as a positive sign for the weeks ahead. The auction retreated on inaction offshore and some forward business was executed prior to buyers reducing levels. Fine wool growers were able to hedge at 2000 for 18.5 for November and December. Strong forward prices were achieved in the New Year albeit on light volume. 18.5 traded in May at 1960 and 21.0 February at 1530 and March 1520. For the 21.0 micron grower this is locking in around \$2000 a bale. A brief analysis of prices over the first three months of the selling season shows all merino indices have had a range of around 140 cents or around 7 percent. Current prices send a mixed message 18.0 and 19.0 are towards the top of their bands, 18.5 around the middle and 21.0 micron on the low end of their seasonal band. All are still sitting at the 95 percentile on the 7 year figures. This presents a compelling argument for hedging in this environment. Against this is the fact that, with the advantage of hindsight, forward hedging has been unnecessary in a market that trended up for almost 2 years. The current volatility would indicate it is prudent to reduce some exposure to price risk at this time.

Anticipated trading levels next week:-

	18.5u	19.0u	21.0u
November 2017	2010	1870	1545
December 2017	2000	1860	1535
Jan to March 2018	1980	1835	1520
April to June 2018	1960	1820	1490

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