



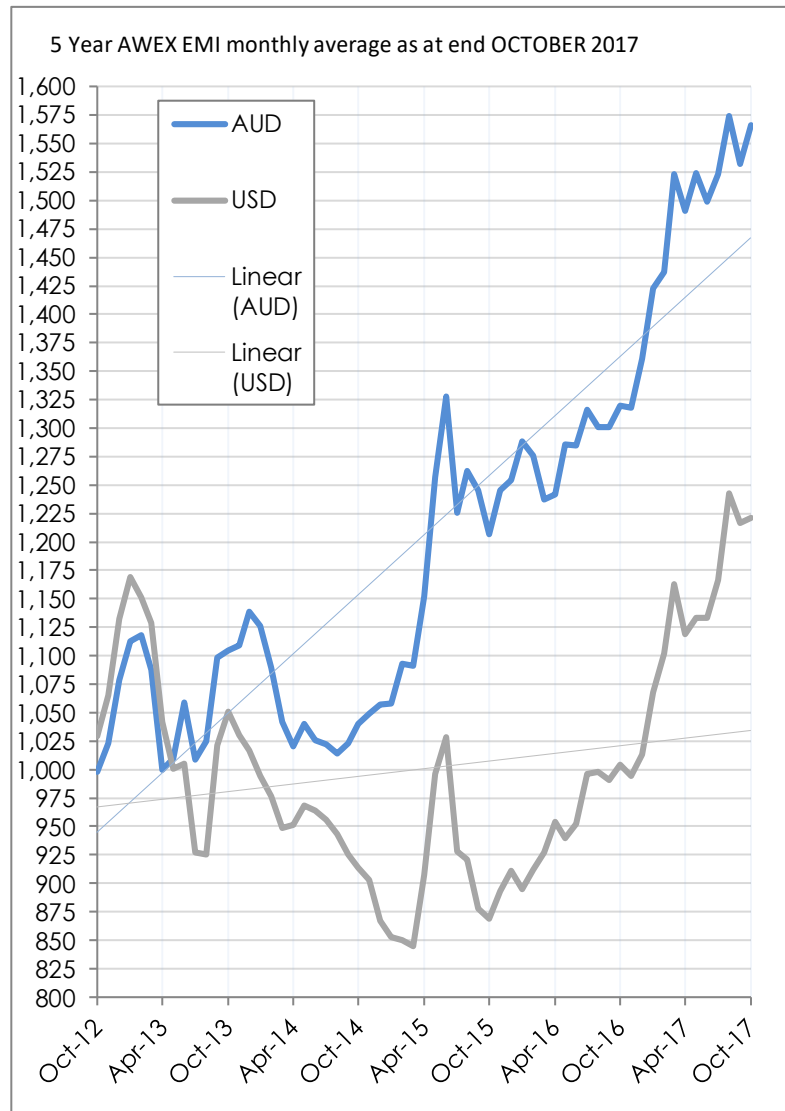
WOOL MARKET WEEKLY REPORT

Sale Week 18: Fri 3rd Nov 2017



| Offering—Aust. only | | Currency movements | | |
|---------------------|---------|-----------------------------------|--------|---------|
| Bales offered | 45,539 | AUD:USD | 0.7715 | + 0.12% |
| Passed-In % | 2.2 % | AUD:CNY | 5.0926 | - 0.34% |
| Bales Sold | 44,522 | AUD:EUR | 0.6618 | + 1.57% |
| Season Sold | 604,061 | RBA close rate Thurs 2nd Nov 2017 | | |

| Eastern Market Indicator (EMI) | | | |
|--------------------------------|-------------------|-------------------|----------------|
| AUD | 1623 ac/kg | + 45 ac/kg | + 2.83% |
| USD | 1252 usc/kg | + 36 usc/kg | + 2.97% |
| CNY | 82.65 ¥/kg | + 2.02 ¥/kg | + 2.50% |
| EUR | 10.74 €/kg | + 0.46 €/kg | + 4.46% |



AWEX Auction Micron Price Guides.

Sales held Tues 31st, Wed 1st & Thurs 2nd Nov '17

| MPG | Sydney | Melbourne | Fremantle |
|-------|-----------|-----------|-----------|
| 17mic | 2454 +77 | 2354n +81 | - |
| 18mic | 2246 +45 | 2207 +54 | 2163n+48 |
| 19mic | 1968 +48 | 1947 +55 | 1941 +35 |
| 20mic | 1713 +45 | 1710 +57 | 1698 +37 |
| 21mic | 1608 +48 | 1600 +44 | 1593 +35 |
| 22mic | 1511n+28 | 1503 +12 | 1523n+33 |
| 23mic | - | 1463n +4 | - |
| 24mic | - | - | - |
| 25mic | 1173n+32 | - | - |
| 26mic | 1048 +34 | 1048n +34 | - |
| 28mic | 728 +21 | 741 +36 | - |
| 30mic | 536 +21 | 531 +13 | - |
| 32mic | 396n | 401n +2 | - |
| MCard | 1289n +56 | 1311n +72 | 1260n +24 |

Scheduled Australian Wool Auction Sales

| Riemann Wool Platform- Forward trades past week | | | |
|---|---------------------------------------|-------------|-------------------|
| Maturity month | Type | Price | Trade weight |
| January 2018 | 21.0 micron | 1570 | 5,000 |
| March 2018 | 20.0 micron | 1640 | 2,000 |
| March 2018 | 21.0 micron | 1530 / 1550 | 5,000 |
| April 2018 | 19.0 micron | 1850 | 2,000 |
| July 2018 | 21.0 micron | 1470 | 2,500 |
| August 2018 | 18.5mic put option/1970ac85ac premium | | 12,000 |
| Total | | | 28,500 kgs |

| Sale week commencing | 2017/18 forecast | 2016/17 actual |
|-----------------------|------------------|----------------|
| Week 19 06/11/2017 | 42,722 bales | 47,139 bales |
| Week 20 13/11/2017 | 44,180 bales | 47,190 bales |
| Week 21 20/11/2017 | 40,159 bales | 45,727 bales |

AWI Commentary

The momentum of demand for Australian wool extended further into this week across all wool auction markets. Gains were spectacular and of great magnitude, with the superfine Merino fleece and cardings sector the standout performing types. Perhaps most welcome though was the recovery in price of all crossbred wools on offer, ending their 3 week decline. The spirited bidding evidenced in all sale rooms saw records tumble throughout the week, and a record AWEX EMI (Australian Wool Exchange - Eastern Market Indicator) was set as the EMI soared 45ac/ clean kg to close at an all time high of 1623ac kg.

To put the EMI figures in perspective, the AUD level is a staggering 320ac or nearly 25% higher than at the same time last season. Similarly this weeks 35usc/clean kg rise in the USD EMI to a closing level of 1252usc/clean kg sees that indicator also 25% higher or 255usc above last season. Since AWEX assumed the market reporting duties in the mid 1990's, only once before has the AUD EMI sat over 1600ac, and that was in mid August earlier in this season.

As an all wool indicator, the current AWEX EMI level exceeds the comparative level of the AWC All Wool Indicator of 1584ac recorded in April of 1988. That figure is assumed to have been adjusted to rebasing over time to more accurately reflect today's terms and the offering, and most particularly the changing of the central micron reporting point as the clip fined up over the past two and a half to three decades.

Whilst Chinese interests remain very much the largest buyer in our sale rooms, this week featured purposeful buying from European operators. The largest top maker outside of China dominated the highest quality Merino Fleece of 19 to 22 micron brackets. This same operator also targeted the best of the broken and pieces types in the skirtings market as well as stepping into the finer end of the crossbred sector, making up for a very impressive purchase of well over 4,000 bales or 10% of the national offering for the week. European interest also featured in other wool description sectors on the final day, as the Italian operators lifted their buying intensity in the better super fine (finer than 18.5 micron) Merino fleece types after missing out on the first day. Some individual lots were as much as 130ac dearer for the final day of selling.

While the Europeans ambushed the market at the better end, Chinese interests were just as keen and one of the top two top makers in that country almost replicated the buying numbers of their European competition. In the cardings, the local Aussie manufacturer dominated once more. To see the first stage manufacturers battling in the sale rooms is quite something. The strength of competition would seem to validate their belief in the current demand for the product they are continually investing so heavily in.

Whilst forward sellers bit the bullet as well and participated in purchasing selectively, it was left to the indent operators to provide the bulk of the competition away from the top makers. Reports flowed through of Chinese factories and traders unable to get set for forward contracts, so spot buying through indent operators was seemingly their course of action.

Market movements were relatively easy to report this week as Merino fleece, skirtings and cardings appreciated by 50 to 80ac with the more substantial gains at the finest end. Crossbreds moved away from the depreciating trends of the past months and posted handy gains of 20 to 40ac, and whether this is just because of a cheaper raw material for machinery use is yet to be seen.

43,000 bales is the rostered quantity in Australia next week.

AUD Commentary - SA Markets

It was a mixed week for the Aussie Dollar, trading mostly sideways, with a low on Tuesday of .7640 and a high late Thursday of .7730, while today Friday the market is drifting quietly at .7708..The AUD was helped higher late in the week on a combination of a few factors, with impressive data on Australia's building approvals and better than expected Trade surplus figures for September. Data from the Bureau of Statistics showed that Australia's Foreign Trade surplus increased to A\$1.75 billion in September from A\$873 million in August, while imports remained flat. Data from the ANZ Jobs Survey also pointed to a further healthy 0.9 percent rise job ads for October, following a 0.4 percent rise in September.

Despite the good economic news coming out of Australia, a number of leading Bank Analysts still say the current high personal debt levels, and concerns over China's economy will continue to constrain spending and wages growth, and any change to the RBA Interest Rates settings is unlikely till at least mid next year, and possibly not until 2019. This suggests that for the time being we are unlikely to see any major move in the AUD.

Overseas, the Dow continued its record run, hitting a new all-time high on Thursday. Also overnight the POTUS, with the backing of the Republican Party, unveiled his massive Tax Plan which amongst other things slashes Corporate tax rate to 20% from 35%. After that announcement the USD dropped to a 7 day low, which helped the AUD push to it's weekly high.

Technically the Aussie remains contained within a large sideways trading pattern, with overhead resistance at .7822, then .7950, while Support is found at .7630 then .7505.



SA Markets Wool Forwards report

A difficult week on the forwards with sellers understandably content to sit while the momentum in the spot market followed on from last Thursday. The auction continued on its merry way although it appeared to be losing a bit of steam into the close. Buyers continued to look for value but became a little fatigued due to the lack of offering. Growers looked to options and bid close to fair value. Current market historical highs and volatility has At The Market premiums out of reach growers but willing to accept lower strike prices can still achieve good minimum price contracts while being able to participate in the higher market levels should they be maintained into the New Year. 18.0 micron Put Options traded at an 85 cent premium for an August strike of 1970.

We expect forward prices to be maintained at current levels with buyers looking for offers into the Christmas Recess. Growers should be targeting flat to cash for November and December. Buying interest is solid for early New Year but falls away into the autumn. This is hardly surprising as year on year all merino qualities are up 16 to 37% ranging from 18.0 up 604 cents (37%), 19.0 410 cents (26%) and 21.0 220 cents (16%).

Anticipated trading levels next week

| | 19.0u | 21.0u |
|---------------|-------|-------|
| Nov/Dec 2017 | 1940 | 1590 |
| Jan/Feb 2018 | 1920 | 1570 |
| Mar/Apr 2018 | 1880 | 1540 |
| May/June 2018 | 1840 | 1500 |

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