



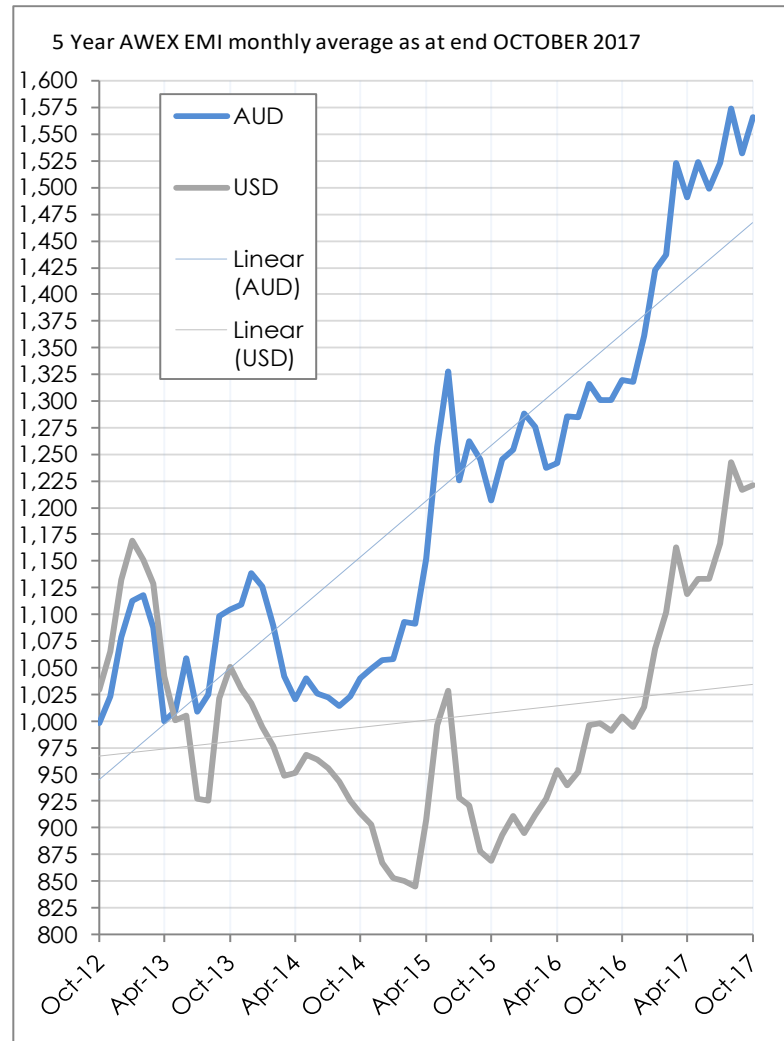
# WOOL MARKET WEEKLY REPORT

Sale Week19: Fri 10th Nov 2017



Offering—Aust. only		Currency movements		
Bales offered	43,432	AUD:USD	0.7683	- 0.41%
Passed-In %	1.3 %	AUD:CNY	5.0934	+ 0.02%
Bales Sold	42,846	AUD:EUR	0.6625	+ 0.11%
Season Sold	646,907	RBA close rate Thurs 9th Nov 2017		

Eastern Market Indicator (EMI)			
AUD	<b>1681 ac/kg</b>	<b>+ 58 ac/kg</b>	<b>+ 3.57%</b>
USD	1291 usc/kg	+ 39 usc/kg	+ 3.14%
CNY	85.62 ¥/kg	+ 2.97 ¥/kg	+ 3.59%
EUR	11.14 €/kg	+ 0.40 €/kg	+ 3.68%



### AWEX Auction Micron Price Guides.

Sales held Wed 8th & Thurs 9th Nov 2017

MPG	Sydney	Melbourne	Fremantle
17mic	2488 +34	2449n +95	-
18mic	2283 +37	2318 +111	2197n+34
19mic	2005 +37	2008 +61	1984 +43
20mic	1764 +51	1758 +48	1758 +60
21mic	1645 +37	1636 +36	1649 +56
22mic	1562n+51	1560 +57	1561n+38
23mic	-	-	-
24mic	-	-	-
25mic	1224n +51	1243n	-
26mic	1103 +55	1093 +45	-
28mic	815 +87	828 +87	-
30mic	616 +80	616 +85	-
32mic	476n +80	483 +82	-
MCard	1348 +59	1377n +66	1323n +63

### Riemann Wool Platform- Major Forward trades past week

Maturity month	Type	Price	Trade weight
November 2018	21.0 micron	1650	10,000
March 2018	18.0 micron	2135 / 2155	12,000
March 2018	19.0 micron	1530 / 1550	11,000
May 2018	18.5 micron	2000 / 2010	15,000
May 2018	21.0 micron	1545	10,000
June 2018	21.0 micron	1500 / 1540	17,000
Nov 2018	18.0 micron	2025	12,000
VARIOUS	96,500kgs trades at <a href="http://www.riemann.com.au">www.riemann.com.au</a>		
<b>Total</b>			<b>183,500 kgs</b>

### Scheduled Australian Wool Auction Sales

Sale week commencing	2017/18 forecast	2016/17 actual
Week 20 13/11/2017	49,486 bales	47,190 bales
Week 21 20/11/2017	41,394 bales	45,727 bales
Week 22 27/11/2017	44,000 bales	49,145 bales

## AWI Commentary

The bull run at Australian wool markets extended further into this week as price gains actually accelerated in pace relative to previous weeks. The trend favouring Merino wool was broken this week as all wools on offer were caught up in the sentiment. Some staggering percentage gains were achieved in the carding and crossbred sectors while Merino types continue to forge ahead relentlessly. When the smoke settled from the fierce purchasing activity on all wool descriptions, the trade witnessed another all time high weekly closing price. The AWEX EMI (Australian Wool Exchange - Eastern Market Indicator) soared 58ac for the week and eventually registered a new record level of 1681ac clean/kg at the cessation of sales for the week.

Growers selling this week, relative to the same time last year, are seeing a 30% gain in Australian dollars terms for their wool clip. The current market indicator is just shy of 400ac clean/kg higher than at the same period of last season. In US dollars the gains are similar with a 39usc appreciation this week as the EMI in US dollars closed at 1291usc clean/kg. This level represents a year on year gain of 31% or a price that is over 300usc higher for the many overseas buyers that use that currency.

The start of the selling week had buyers and exporters expecting an impending price rise. What was not predicted though was the severe nature of the price rise and the speed in which the levels accelerated away from most participants willingness to pay that money. As the price moved rapidly upwards, more buyers slammed the bag and discontinued their purchasing activity. Conversely though, the top four buyers stayed true to their course and dominated the buying lists. In the Merino offerings, the top four buyers purchased around 50 to 60% of the offering between them, and in the crossbreds, around 70% of the volume was bought by just the top four interests, highlighting the very restrictive nature of the buying action this week.

Chinese interests came to the fore this week, but it was Australia's largest exporter that dominated the sale rooms across the nation and remarkably across all wool sectors. It was only the carding wools that saw them deposed from the top of buying lists, but even then they were runner up. In the Merino fleece segment of the selection, the largest Chinese indent operator provided the stiffest of competition and mainly on wools broader than 18.5 micron. Similar to last week's sales, the major top makers were also interested, but became much more price resistant as the heavyweights of indent buying and traders. In a designated super fine sale in Sydney, Italian interests again monopolised the better wools finer than 19 micron, but strangely it was in Melbourne that the largest of increases were extracted from buyers pockets for super fine categories, where wools of 18 micron and finer were upwards of 140ac clean/kg dearer for the week.

In general terms, the Merino fleece, skirtings and cardings market tracked to levels 60ac clean/kg higher by the close of selling. Crossbred prices though were the absolute standout, with an addition of 85ac clean/kg posted for the week. In percentage terms, in some of the individual micron groups, this equated to a 20% increase in their values, a staggering result for one week of trade. With this substantial move away from the depressive trends of the past months, perhaps we are seeing a concrete change in demand, but somewhat unexpectedly, many operators are still maintaining a "too early to call" line of thinking.

Next week's volumes at auctions has grown by 12% and now sees almost 50,000 bales scheduled to be sold, unsurprisingly given the prices on offer.

## AUD Commentary - SA Markets

The Aussie Dollar had a choppy week, trading sideways within a relatively tight 70 point range, mostly dominated by Tuesday's RBA decision to leave the benchmark cash rate on hold at 1.5%, the same level it has been since August last year. On Tuesday the AUD hit a high of .7698 before falling Wednesday to a low of .7626, then recovering Friday back to .7685.

Financial markets have scaled back their expectations for RBA rate hikes in recent months, as very weak inflation and retail sales numbers suggest the high personal debt levels in Australia are stalling the expected recovery. On Wednesday, Australian Home Loan Data surprised with a seasonally adjusted 2.3 percent decline while Investment Lending slumped 6.2 percent in September. In better economic news, the release of Chinese Trade this week was stronger than predicted, as exports grew by 6.9% in US dollar terms, while imports came in well ahead, lifting by 17.2% over the year. The trade surplus swelled to \$US38.17 billion.

In good news globally 65 percent of MSCI Europe firms have met or beaten profit expectations, showing year-on-year earnings growth at 9.8 percent in USD terms, with European Stock Index up 12.4%. World growth was raised by the International Monetary Fund to 3.6 percent for this year, while the Euro Zone is seen expanding 2.1 percent, reflecting an export revival as well as stronger domestic demand.

The picture is similarly robust in the U.S.A., showing year-over-year profit growth at nearly 8 percent. The S&P 500 Index has also hit a series of record highs gaining nearly 16 percent this year. Ironically the USD had its weakest showing since 2014 in the third quarter.

Technically the Aussie Dollar still remains bound within a choppy trading range, perched just above key support and looking for direction. A series of descending highs and lows argues for a bearish near-term bias, but the bigger picture warns this may only be a correction lower before a rally. Good support is found at .7608, while key resistance is at .7816. A definitive break of these is needed to look for the next actionable step.

## SA Markets Wool Forwards report

A very different week on the forwards as moment in the spot market bought buyers and sellers together. Pre Christmas forwards traded flat to cash with 19.0 hitting 2000 cents and 21.0 1650. Growers embraced both outright and options into the new year as levels reached the tipping point for guaranteed returns and the forward curve flattened. Pleasing activity was spread over 12 months and all microns. Growers needed to accept out of the money strikes to achieve fair value premium nevertheless they delivered solid minimum price guarantees.

Volumes on the forwards increased this week but still only represent about 3 percent of the weekly wool flows. With most micron qualities now entrenched in the 95 plus percentile band growers need to address their expectations.

A sound hedging strategy can combine both time and price considerations and blend a use of both outright and options when the opportunity arises.

Anticipated trading levels next week

	19.0	21.0
Nov/Dec	2000	1650
Jan/Feb	1975	1600
Mar/Apr	1925	1570
May/June	1890	1540

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