



WOOL MARKET WEEKLY REPORT

Sale Week 21 Fri 24th Nov 2017



Offering—Aust. only		Currency movements		
Bales offered	47,370	AUD:USD	0.7621	+ 0.36%
Passed-In %	6.4 %	AUD:CNY	5.0249	- 0.31%
Bales Sold	44,326	AUD:EUR	0.6439	- 0.14%
Season Sold	740,242	RBA close rate Thurs 23rd Nov 2017		

Eastern Market Indicator (EMI)			
AUD	1669 ac/kg	- 14 ac/kg	- 0.83%
USD	1272 usc/kg	- 6 usc/kg	- 0.48%
CNY	83.87 ¥/kg	- 0.96 ¥/kg	- 1.13%
EUR	10.75 €/kg	- 0.10 €/kg	- 0.97%

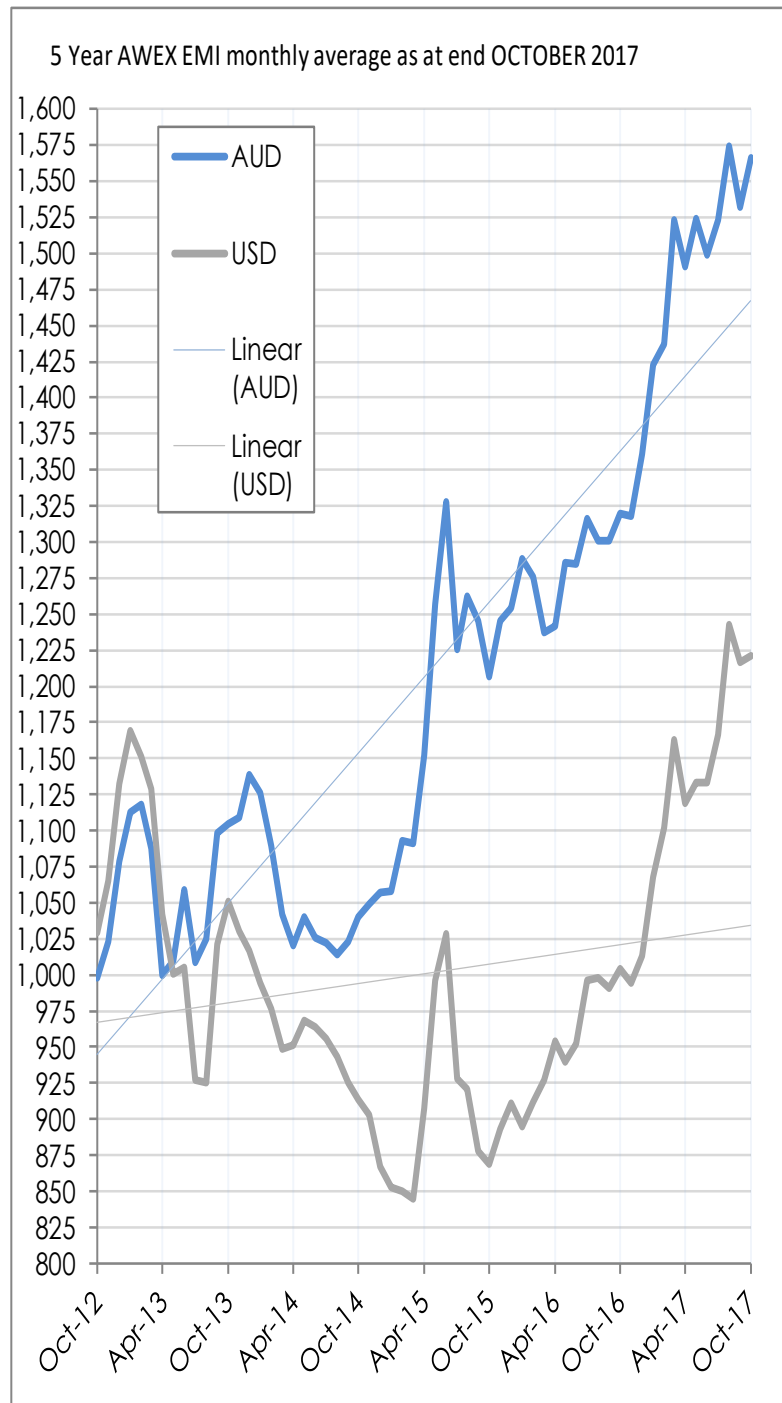
AWEX Auction Micron Price Guides.

Sales held Wed 22nd , Thurs 23rd Nov 2017

MPG	Sydney	Melbourne	Fremantle
17mic	2460 -34	2451n -14	-
18mic	2277 -26	2273 -33	2183n -39
19mic	1985 -24	1983 -22	1968 -10
20mic	1758 -25	1747 -18	1744 -20
21mic	1636 -11	1638 +4	1636 -4
22mic	1553n -18	1548n -12	1548n -13
23mic	-	1526n	-
24mic	-	1353n	-
25mic	1197n -9	-	-
26mic	1055 -20	1044n -21	-
28mic	731 -37	734 -39	-
30mic	559 -25	539n -64	-
32mic	435n -30	439n	-
MCard	1381n -1	1393n +4	1381n +15

Scheduled Australian Wool Auction Sales

Sale week commencing	2017/18 forecast	2016/17 actual
Week 22 27/11/2017	51,982 bales	49,145 bales
Week 23 04/12/2017	45,749 bales	52,412 bales
Week 24 11/12/2017	47,324 bales	55,468 bales



AWI Commentary

After last weeks consolidation at Australian wool auctions the market found itself on a cheapening trend by the close of selling for the week. This price retraction was evidenced across most of the offerings, with the carding sector the only segment to escape the downturn. Large volumes on offer this week, and the next three, as well as substantial pressures on access to finance were the talk of the week. These factors were the predominant causes that set the market into reverse for the time being.

The AWEX EMI (Australian Wool Exchange - Eastern Market Indicator) peeled off 14ac clean/kg to close the sales at 1669ac clean/kg. When measured in USD, the market again went to the favour of USD users and dropped, albeit just 6usc clean/kg, to a week ending value of 1272 usc clean/kg.

The Merino fleece and skirtings offering this week traded for 75% of the week at largely firm unchanged levels, but some mixed commentary filtered through to the market mid way through the Thursday selling day. Many exporters said that that spooked the market, with some exporters and indent buyers withdrawing orders. By the end of the day though, the final summary had halved the earlier reported losses. The Sydney market was perhaps the hardest hit as the initial drop on Thursday of just 5 to 10ac clean/kg in the first hour extended to generally 50 to 60ac cheaper lots at the end of the day.

The selection of Merino types available this week was considered to be largely suitable to just the Chinese market, with European types in far less supply. Perhaps growers of those higher specification lots are targeting next weeks designated super fine sale? Most exporters approached this week cautiously and fully expected better buying opportunities, but for the first day at least that scenario failed to materialize. As the prices weakened through the last part of the week though, the finer than 18.5micron Merino types were hardest hit and upwards of 40ac clean/kg were eliminated from their starting values.

The large offering of 19 to 22 micron Merino descriptions held up remarkably well though and just 15 to 20ac clean/kg was lost. In USD terms though this was far less significant as the AUD strengthened around 0.4% to keep those wool types in similar delivered USD terms, indicative of demand remaining in play with largely sentiment now the ruling price setter.

The rapid rise of the crossbred market of just a fortnight ago has been proven to be an anomaly, as prices have retreated almost as quickly as they went up. Another 30 to 40ac clean/kg was lost this week, but prices still sit around 7% higher than they were last month. Cardings remained largely strong and relatively unchanged in the continuation of the strong activity in this type sector.

With widespread talk of local exporters short on cash for wool purchases, the same probably cannot be said for the top three or four auction buyers. These same buyers have remained extremely intent on buying in large volumes of inventory and have dominated buyers lists for the past three weeks. They again have bought 50% or more of the offering this week.

There are just three weeks of auctions left to sell prior to a three week recess for Christmas. It is expected that there will be around 50,000 bales in each of these sale weeks. Although we have seen an odd and strange price pattern set this week, the weaker trend is sure to encourage some absent buyers back into the market given they can find the cash. Demand is surely still there for wool and all these larger volumes does is to give opportunities to buyers.

AUD Commentary - SA Markets

Despite the concerns about weaker inflation and growth numbers in Australia, the Aussie Dollar rallied this week, rising off Tuesday's low of .7530, to a high on Thursday of .7638, before easing Friday to .7625 in thin trade, as both the Japanese and U.S Markets were closed for public holidays.

The strength in the Aussie came from two directions, but most powerfully from a tumbling U.S Dollar, which had its worst week in 5 months after U.S Fed Chair Janet Yellen's comments on Tuesday where she questioned whether U.S Inflation might stay below the bank's 2 percent target for longer than expected. This led global financial markets to immediately pare back their pricing expectations for more rate hikes next year. "The dollar had a rough ride in the aftermath of those comments" said CIBC's FX Chief Jeremy Stretch, while the Rate Rise for December is almost fully priced in, the Fed Fund futures show rates at just 1.75 percent by the end of next year.

The Aussie got a big boost from surging commodity prices with Iron Ore up 8% in 2 days, to a fresh 2 month high, while Crude Oil hit two -year highs with the benchmark Brent Crude price rising sharply to \$63.42 barrel. During the week traders were spooked by the biggest slump in Chinese stocks in almost two years, however that was offset by surprisingly strong Euro growth numbers as the Eurozone Composite Growth Index increased to 57.5 the highest score since April 2011, in Germany private sector growth had its strongest increase since April 2011, and private sector growth in France hit six-and-a-half year high.

Technically the AUD/USD's rally from .7531 is still in progress but upside should be limited to the .7745 resistance. For the moment the Aussie is still contained with in broad sideways trading pattern.

SA Markets Wool Forwards report

Riemann Wool Forwards Market started the week with fully firm prices as buyers and exporters actively sought cover against an expected price rise, and that's despite the two very big auction volume days ahead. As mentioned last week these record prices are bringing to the market more wool growers from across Australia who are exploring the best ways to lock in some of this remarkable price rally. However at the auction this week prices actually slipped as traders reported talk of a small credit squeeze in paying for some much wool at record prices.

Surprisingly this auction weakness was not reflected in the wool forwards market as buyers popped up with solid bids allowing Wool growers the opportunity to lock in excellent prices at up to 18 months forward. As was the case again last week we had surprisingly high demand across the board by wool growers for the longer dated Wool Put Options, as growers reflect concerns that while spot prices remain firm there is worry on where prices might be in a year or even six months from now. The purchase of these Put Option allows the wool grower to put in place their own insurance by create a minimum floor price contract, this still leaves the grower free to enjoy any future rally. Again this week, as in last week there was active price enquiry across all microns, from the 18M out to the 28M, however most activity was seen again in the 19 and 21 Micron Categories.

The sentiment from buyers suggests that these high prices are likely to stay for some time, however most say that in a swiftly rising market, there is higher potential for a sharp correction lower, and this is likely to result in quite volatile price moves ahead.

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