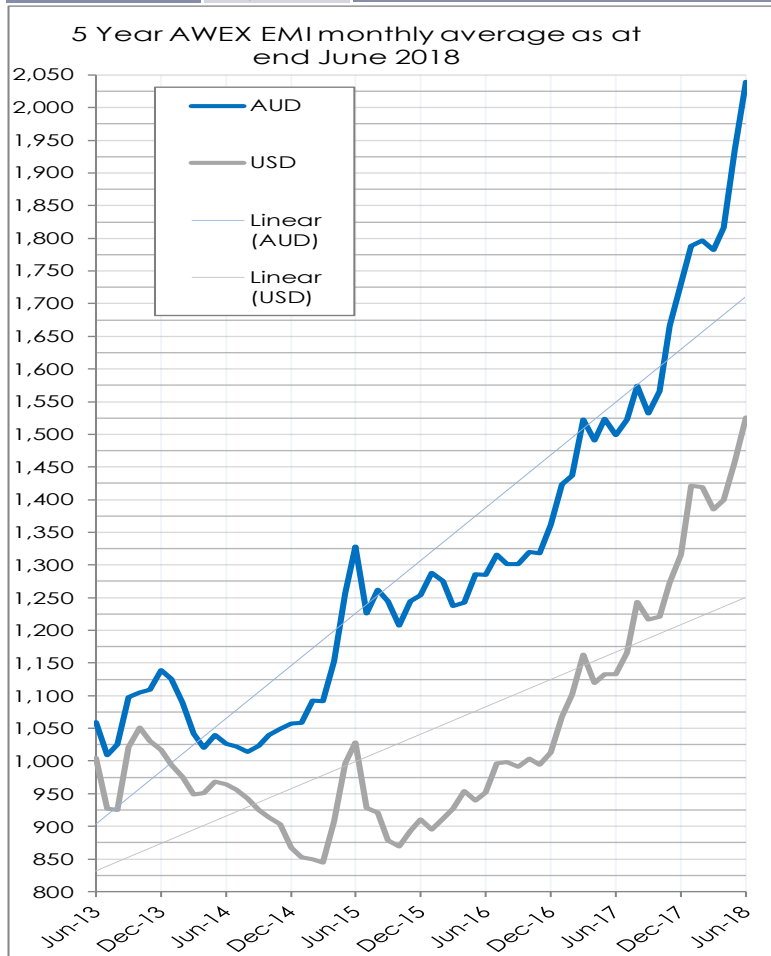


WOOL MARKET WEEKLY REPORT

Sale Week 01: 6th July 2018



Offering—Aust. only		Currency movements			Eastern Market Indicator (EMI)			
Bales offered	43,880	AUD:USD	0.7378	+ 0.34%	AUD	1994ac/kg	- 62 ac/kg	- 3.02%
Passed-In %	15.6 %	AUD:CNY	4.8997	+ 0.79%	USD	1471 usc/kg	- 41 usc/kg	- 2.69%
Bales Sold	37,018	AUD:EUR	0.6309	- 0.85%	CNY	97.70 ¥/kg	- 2.25 ¥/kg	- 2.25%
Season Sold	37,018	RBA close Thurs 5th July 2018			EUR	12.58 €/kg	- 0.50 €/kg	- 3.84%



AWEX Auction Micron Price Guides.

Sales were held Wed 4th & Thurs 5th July 2018

MPG	Sydney	Melbourne	Fremantle
17mic	2827n -45	2791 -76	-
18mic	2443 -81	2440 -73	-
19mic	2289 -79	2286 -83	2293 -103
20mic	2261 -85	2273 -78	2257 -106
21mic	2251n -83	2272 -78	2249 -98
22mic	-	2268 -68	2231n
23mic	-	2244n	-
24mic	-	-	-
25mic	-	-	-
26mic	-	-	-
28mic	964 -65	981 -47	-
30mic	664 -41	675 -20	-
32mic	-	448n =	-
MCard	1470 -12	1490n -10	1482n -5

Riemann Wool Platform- This weeks trades

Maturity month	Type	Price	Trade weight
August 2018	18.0 micron	2390 / 2440	10,000
August 2018	21.0 micron	2230	5,000
September 2018	18.0 micron	2380	5,000
September 2018	21.0 micron	2180	7,000
October 2018	19.0 micron	2185 / 2205	7,500
October 2018	21.0 micron	2090 / 2155	7,500
November 2018	21.0 micron	2130	2,000
December 2018	21.0 micron	2050	5,000
March 2019	19.0 micron	2000	5,000
August 2019	19.0 micron	2000	10,000
November 2019	19.0 micron	1950	10,000
Week Total			73,000 kgs

Scheduled Australian Wool Auction Sales

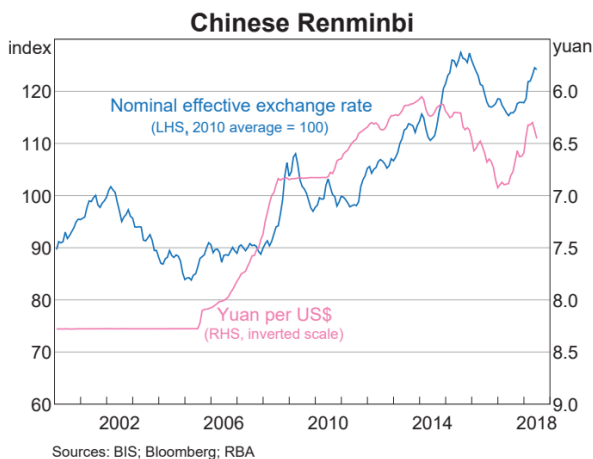
Sale week commencing	2018/19 forecast	2017/18 actual
Week 02 09/07/2018	41,431 bales	46,463 bales
Week 03 16/07/2018	RECESS	RECESS
Week 04 23/07/2018	RECESS	RECESS

AWI Commentary

This week saw the first week of the new selling season, and only negative movements were recorded across the offering at Australian wool auctions. The 2018/19 season heralded losses across the Merino sector of a general 60ac clean/kg whilst crossbreds and comebacks reduced by around 40ac clean/kg. Cardings types relatively defied the lacklustre performance of other sectors and just drifted lower by a few cents. The AWEX (Australian Wool Exchange) EMI (Eastern Market Indicator) reduced significantly by 3% or 62ac clean/kg and started the new financial year at 1994ac clean/kg. This time 12 months ago the market commenced the selling season at 1524as, 470c or nearly 31% lower than today.

The forex (foreign exchange) rate of the AUD versus the USD strengthened by just 0.34%, but the EMI when expressed in USD shifted 41usc or 2.69% lower to 1471usc clean/kg, relatively in line with the depreciated AUD EMI. This time last year the USD EMI sat at 1158usc clean/kg or 313usc lower.

The major factor in the rapid turnaround in the fortunes of the local markets here is the significant movement of the forex rates of the CNY versus the USD. The past three weeks or so has seen a divergence of around 7% in that rate of exchange, which basically means the Chinese mills have to come up with more than 7% of RMB(CNY) to fund the same amount of USD to purchase raw wool in just four weeks. The rates have largely been considered to have been pegged against the USD but this latest break way is far too great a magnitude to rely upon that theory any more. (Highlighted by the dip at the extreme right hand side of the chart below.)



A common thought is the Chinese operators needing wool for the past month have largely relied on indent operators to secure the minimum supply required. This is mainly due the adverse forex rates CNY v USD and forward sellers being reticent to expose themselves to forward risk without cover. This certainly appeared to be the case again this week as the larger indent buyers consistently topped the Merino offering and were near the top on crossbred buyers list at auction throughout the week.

Significantly, the pass in rate hit 15.6% this week. It's interesting that some sellers now believe the fibre is worth an average of over 2000 ac/kg and not willing to sell lower. Growers also reasonably suspect there will be no immediate increase in supply, so prepared to hold.

Next week sees the last sale prior to the annual three week recess in sales. The relatively large volumes will most likely see a maintenance of the current sentiment, as the high value of wool and high costs of holding wool remains an inhibitor to stock taking locally.

Wool forwards report - Southern Aurora Markets

The fatigue that the spot auction felt last week came into play this week with most qualities falling 80 cents. The impact on the forward markets has not been as marked. Spring and New year levels did retreat a little but were already showing a discount in line with demand expectation. We need to be carefully not to lose sight of the supply driven increase in momentum of the spot market over May and June particularly in 19.0 micron and coarser.

We started May at near record levels 19.0mic at 2090 and 21.0mic at 1970. Each put on 300 to 350 cents in this period. The forward market reacted to the rise pushing spring levels 100 to 200. We expect the similar reaction should the current retraction continues. Markets tend to over react. The fall in the forwards should be less marked that the likely decline in the spot. Good hedging levels should still be achievable. Demand for early Spring should see 21.0 trade in September and October between 2080 to 2140 next week.

We anticipate a slight strengthening of the premium for 19.0, currently sitting at 26 cents over 21micron, to trade 40 to 50 over. This would result in forward level of 2130 to 2200 for the early Spring. For 2019 we see trading around the base established over the last two years. 19.0 between 1980 and 2020 for the first half of 2019 and 1930 to 1970 for the start of the 2019/20 wool season. New Year 21.0 are a little more problematic with indications early in the year at 1950 dropping to 1800 to 1850 for the second half of 2019.

Anticipated levels next week

	19.0mic	21.0mic	19.0mic	21.0mic
July	2240	2200	Aug	2200
Sept	2160	2115	Oct	2120
Nov	2090	2050	Dec	2070
				2030

AUD Commentary - Southern Aurora Markets

The Australian Dollar on Friday is trading quietly at .7390 ahead of major announcement due later today from the U.S and China on an escalation of the tariff war. Outside of that, the AUD had a volatile week, responding strongly to a string of better than expected data releases. After starting Monday at .7405, the Aussie fell heavily to the week's low of .7310, before recovering just as sharply mid-week, racing to a 9 day high of .7422 on the release of upbeat Australian retail sales data for May and stronger China services PMI data for June. However any data is likely to be overshadowed by today's (Friday's) deadline for the imposition of tariffs by both the US and China on \$34 billion of each country's imports.

Despite the volatility, the AUD is still within a broad trading range, and is currently in the middle of a corrective rally off the .7310 support low of the week. Bias suggests the rally has more to go, targeting overhead resistance at .7522. A break of that could see a rally to .7680, however the bigger pattern suggests the AUD has more downside, and will likely re-test this weeks low of .7310.

AWTA Key Test Data

- The monthly comparison of total weight for June 2018 compared to June last year showed a 7.4% year on year reduction in wool tested.
- The progressive comparison of the total weight tested for the period July 2017 to June 2018 compared with the same period last season showed a 0.7% increase for the season.
- AWTA Ltd tested 360.4 mkg (million kilograms) for the 2017/18 season compared to the 357.9 mkg tested in the 2016/17 season.

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