



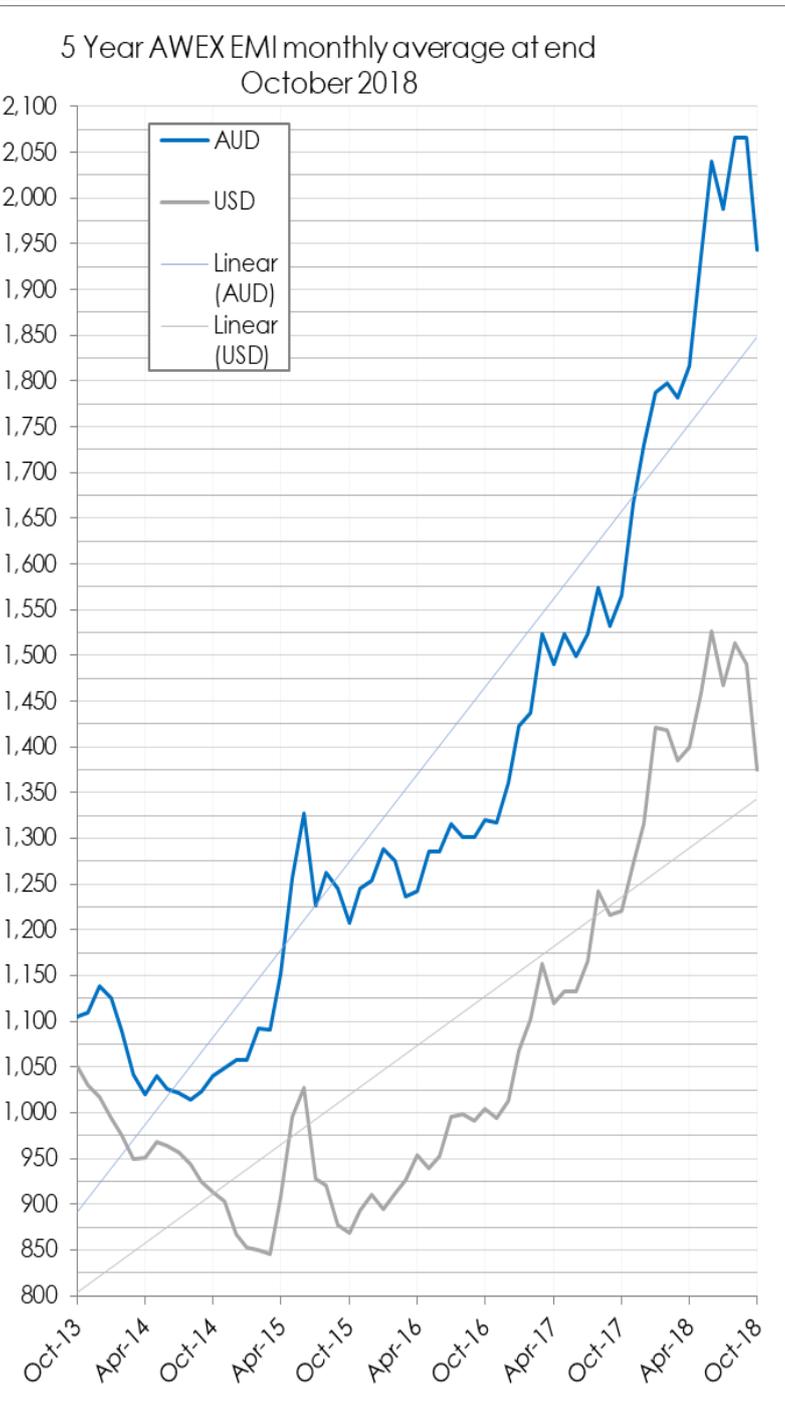
# WOOL MARKET WEEKLY REPORT

Sale Week 19: 9th Nov 2018



Offering—Aust. only		Currency movements		
Bales offered	32,189	AUD:USD	0.7274	+ 2.02%
Passed-In %	20.9 %	AUD:CNY	5.0426	+ 1.53%
Bales Sold	25,455	AUD:EUR	0.6367	+ 1.30%
Season Sold	521,939	RBA close Thurs 8th Nov 2018		

Eastern Market Indicator (EMI)			
AUD	1776 ac/kg	- 78 ac/kg	- 4.21%
USD	1292 usc/kg	- 30 usc/kg	- 2.27%
CNY	89.56 ¥/kg	- 2.52 ¥/kg	- 2.74%
EUR	11.31/kg	- 0.34 €/kg	- 2.96%



## AWEX Auction Micron Price Guides.

Sales held Wed 7th & Thurs 8th Nov 2018

MPG	Sydney	Melbourne	Fremantle
17mic	2495 -60	2387 -145	-
18mic	2318 -59	2207 -136	2219n -80
19mic	2109 -129	2107 -114	2116 -83
20mic	2050 -103	2056n -85	2048 -70
21mic	2043 -96	2064n -62	2046 -66
22mic	-	2100n -69	2043n -68
23mic	-	2046n -71	-
24mic	-	-	-
25mic	1364n	-	-
26mic	1143n -46	1119 -91	-
28mic	745n -33	751 -27	-
30mic	636n -25	670 -30	-
32mic	-	475n =	-
MCar	1020 -25	1045n -71	1012n -92

## Scheduled Australian Wool Auction Sales

Sale week commencing	2018/19 forecast	2017/18 actual
Week 20 12/11/2018	39,883 bales	50,648 bales
Week 21 19/11/2018	35,446 bales	47,370 bales
Week 22 26/11/2018	38,240 bales	49,058 bales

## AWI Commentary

Prices at Australian wool auction sales continued to fall this week, as buyer confidence and activity was severely lacking. All wool types and descriptions were affected to varying degrees, but all to negative and a good portion of the offering registered compelling depreciations. Similar to last week, the tone by the end of the last day of auction was much better than the first day but buy in levels by that stage were far more advantageous for exporters and indent buyers alike to fulfil their immediate requirements.

The Australian Wool Exchange (AWEX) Eastern Market Indicator (EMI) closed the week 4.21% or 78ac lower at 1776ac clean/kg, which is back to the April levels seen earlier this year. In US Dollar (USD) terms the market was significantly less affected and a 2.27% or 30usc loss to 1292usc clean/kg was recorded. In Chinese Yuan (CNY) a drop of 2.74% occurred and similar retractions in the EMI when expressed in Euro of 2.96% resulted.

Reasons being put forward as to the rapid change in wools pricing are numerous and mostly all play their part, but it is prudent to firstly look towards China, who is responsible for 76% of the export destination of Australian wool and the most likely market to provide the best lead.

In general, China has been experiencing deteriorating economic conditions since the commencement of the US-China Trade battle. According to Reuters, economic growth has slowed to its weakest quarterly pace since the global financial crisis at 6.5 percent, exhibiting lacklustre domestic demand by Chinese standards.

China's manufacturing sector had extremely limited growth last month following on from the practically zero growth figure recorded in September. For a nation that has been experiencing double digit growth figures for the best part of a decade, this alone is reason enough for close monitoring.

Reportedly, export orders within most Chinese manufacturing sectors contracted even further during October. A tightening of monetary conditions around the world, financial markets in somewhat of a turmoil, in addition to the slowdown in Chinese demand, affects market sentiment and therefore investment and raw material procurement decisions. Wool and the overarching textile trade is not immune to any or all of those heavy influences.

As disappointing as the clip value drop from the heights of August is, as in any trading markets, context is key to making informed decisions. The prices of this week offered at auction (1776ac) are nearly spot on the 18 month (1769ac) average of prices paid at auction.

Within the falling market the composition of the general indicator (EMI) is radically different. It is very much a positive to see that the Merino fleece values have held up much better than all other wool segments. Whilst the EMI levels lower, the overall make up of that price is much different than April this year, as back then on an indicator of 1776ac (same today) the Southern 20 micron indicator was 1918ac (today 2056) whilst the Mer Card South indicator was 1375ac (today 1045). Clearly most of the deterioration in price levels has been in the woollen sector whilst worsteds have held on rather well in comparison.

Next week currently sees nearly 40,000 bales being offered to the trade. The past few weeks has been plagued by pre sale withdrawals and higher passed in rates as many growers choose to wait for another time to cash in their wool clips. The three week forecast remains a big concern, as 22.8% less wool is scheduled for for the next three week period. There are just five sale weeks remaining to the Christmas recess.

## Wool forwards report - SA (Southern Aurora) Markets

A highly volatile week that saw the auction suffer significant losses on Wednesday and try to hold its own to the close Thursday. The forward markets traded briskly as some traders moved to the sell side as the spot auction broke through anticipated support levels.

Growers participated into the spring of 2019 with significant volume (95t) traded October to December. Trade on the 19.0 micron index went through at 1980. Although 120 cents under the current cash price (2108) it still equates to the 75 percentile of the last four years. The 19.0 micron indicator dropped 121 cents this week alone. End users unable to pass the on the current levels to consumers and seeing short demand destruction. Their willingness to price well above the long term (8 years) average of 1470 and the medium term (4years) of 1695 indicates that demand creation of the recent years coupled with supply constraints should see the market correct above the medium term average (1700). Unfortunately markets have a tendency to over correct so volatility will be common place.

It was very pleasing to see bidding out one and two years by the end users. Current bidding in the spring of 2019 for 19.0 microns is at 1930 (down from 1980 traded this week) and Spring 2020 at 1880. This gives growers a chance to obtain price stability for one and two year forwards well above cost and the average of what has been, in a price perspective, a rewarding three years in wool.

### Trade Summary

19.0	February	2070	5t
19.0	May	1990	5t
19.0	October	1980	15t
19.0	November19	1980	40t
19.0	December19	1970/1980	40t
21.0	November18	2030/2080	15t
21.0	January	1980	5t
21.0	February	1980/2050	10t
21.0	March	1980	5t
21.0	May	1910	5t
21.0	October	1888/1925	10t
28.0	February	740	5t
Total		160 t	

## AUD Commentary - SA (Southern Aurora) Markets

The Australian Dollar continued the rally started last week, lifting to a new six-week high on Thursday of .7300 after hitting a low on Monday of .7182. Today (Friday) the Aussie has eased back to .7265 on a firmer USD. David de Garis, Senior Economist at the National Australia Bank said Data out of the U.S "remains firm with the Fed Futures now pointing to an 80% probability of Fed Rate hike at its December 18-19 meeting". In Australia today the RBA will issue its quarterly Statement on Monetary Policy, including updated economic forecasts. Earlier in the week RBA Governor Lowe suggested the bank's forecasts for GDP growth will be revised up to 3.5% while unemployment should fall 4.75% in 2020. The market however is keen to see its commentary on housing and wages growth, both of which remain weak. Westpac again made the point that high domestic debt and falling house prices will force the RBA to leave rates on hold through all of 2019.

Technically the Aussie rally is still in progress with an upside target of .7320. A break of that could trigger a strong rally to .7440. On the downside, there is support at .7160, and break of that is likely to see a fall targeting the low of .7020. For the moment the charts suggest the rally is a correction up in a generally falling market.

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