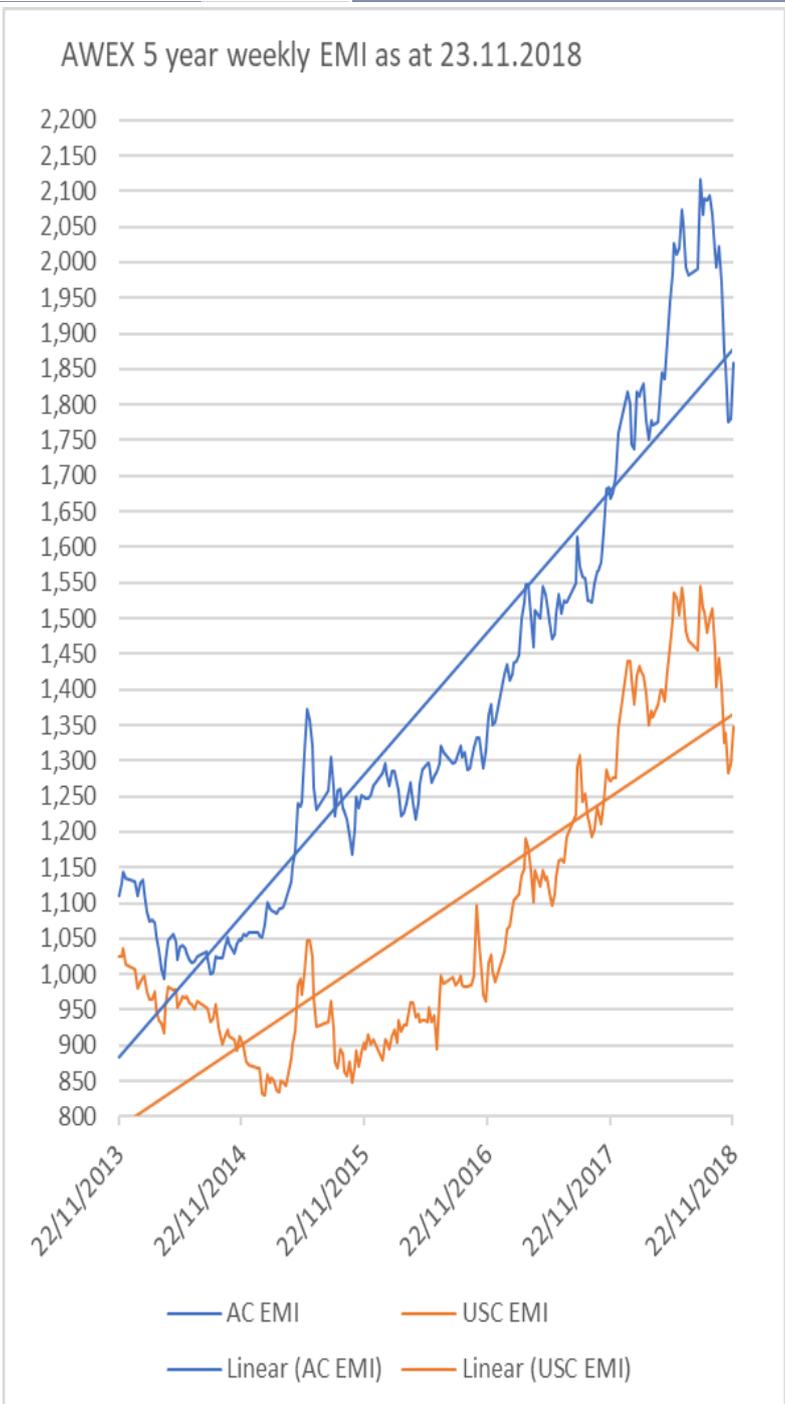




Offering—Aust. only		Currency movements		
Bales offered	30,761	AUD:USD	0.7250	-0.40 %
Passed-In %	10.9 %	AUD:CNY	5.0247	-0.51 %
Bales Sold	28,995	AUD:EUR	0.6364	-0.87 %
Season Sold	582,421	RBA close Thurs 22nd Nov 2018		

Eastern Market Indicator (EMI)			
AUD	<b>1858 ac/kg</b>	<b>+ 77 ac/kg</b>	<b>+ 4.32%</b>
USD	1347 usc/kg	+ 51 usc/kg	+ 3.91%
CNY	93.36 ¥/kg	+ 3.41 ¥/kg	+ 3.79%
EUR	11.82/kg	+ 0.39 €/kg	+ 3.41%



AWEX Auction Micron Price Guides.

Sales held Wed 21st & Thurs 22nd Nov 2018

MPG	Sydney	Melbourne	Fremantle
17mic	2472 <b>+27</b>	2448n <b>+45</b>	-
18mic	2343 <b>+65</b>	2319 <b>+71</b>	2229n <b>+50</b>
19mic	2204 <b>+100</b>	2210 <b>+110</b>	2177 <b>+91</b>
20mic	2172 <b>+115</b>	2164 <b>+93</b>	2151 <b>+99</b>
21mic	2158 <b>+110</b>	2159 <b>+101</b>	2136 <b>+94</b>
22mic	-	2144n <b>+59</b>	-
23mic	-	2127n <b>+106</b>	-
24mic	-	1840n <b>+127</b>	-
25mic	-	-	-
26mic	1245 <b>+105</b>	-	-
28mic	845n <b>+85</b>	861 <b>+96</b>	-
30mic	-	734 <b>+50</b>	-
32mic	-	495n <b>+15</b>	-
MCar	1180 <b>+80</b>	1183 <b>+69</b>	1153 <b>+23</b>

Scheduled Australian Wool Auction Sales

Sale week commencing	2018/19 forecast	2017/18 actual
Week 22 26/11/2018	36,447 bales	49,058 bales
Week 23 03/12/2018	36,374 bales	48,599 bales
Week 24 10/12/2018	40,883 bales	50,913 bales

## AWI Commentary

A dramatic change of direction in market fortunes this week at the Australian wool auctions. Whilst confidence began to become apparent last week, the conversion to higher price returns confirmed the trend change, and prices surged across all wool types and descriptions this week. What had actually occurred to radically spike the interest back to more favourable outcomes for wool grower sellers remains somewhat a mystery, but commentary from exporters did indicate an increase in Chinese inquiry for new contracts, but what percentage of that enquiry was converted to actual new business remains to be seen in order to continue to strengthen market pricing.

The Australian Wool Exchange (AWEX) Eastern Market Indicator (EMI) closed the week an impressive 4.32% dearer or 77ac to finish the week at 1858ac clean/kg. The Australian dollar went ever so slightly in the buyers favour against the USD and an appreciation of 51usc or 3.92% of the USD EMI resulted and saw that indicator close at 1347usc clean/kg.

The lift in price levels looks to have coincided with the release of the latest forecast data (see below) from the industry. The trade had largely suspected that the original number was a bit hopeful with drought conditions continuing much longer than has been thought. With any physical auction market, it can't be denied that human factors have to also be considered. One of the most common heard phrases on the show floor this week was that "confidence breeds confidence" which is somewhat unrevealing to true trade forces but as one or two operators hit the market in gusto, others soon followed in the fear of missing out on what could eventually be considered astute purchasing?

Perhaps giving rise to true market forces were the levels that the 19 to 21 micron Merino fleece lifted to in rapid fashion. This wool type area is traditionally regarded as the bread and butter of Chinese demand and with 100ac plus rises occurring, renewed needs for those wools was clearly evident. Such magnitude of gains is not done on a punt, so true demand signals can be assumed to be in play. The super fine end of Merino fleece (finer than 18.5mic) also pushed higher, but more-so it was conceded due to price gap pressure coming from the broader microns.

Merino skirtings were perhaps the slowest of sectors to rise, but started to gain momentum towards the end of the week. 40ac gains were eventually posted. Cardings continued their good run and a further 70ac gain occurred, whilst the crossbreds were perhaps the strongest percentage gainers with up to 100ac being made.

Next week 36,447 bales is rostered to sell. Buyer interest at this weeks sales remained strong right through to the close of selling so

## Australian Wool Production Forecast

The Australian Wool Production Forecasting Committee's updated forecast of shorn wool production in 2018/19 is 305 mkg greasy, down by 10.8% from 2017/18.

Continuing dry conditions in New South Wales, Queensland, northern Victoria, east Gippsland and the northern parts of South Australia have been tempered somewhat by the better seasonal conditions in the south east South Australia, the midlands of Tasmania, western Victoria and parts of Western Australia.

High sheep slaughter to the end of September is expected to reduce the number of sheep shorn in 2018/19 by 6.6% to 71.7 million head, with a 4.4% reduction in annual average cut per head to 4.25 kg as a result of the tough seasonal conditions.

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

Volatility has been the constant partner of the wool market this last twelve months and was no more evident than this week. The 19.0 micron price guide (MPG) that had fallen 366 cents from its late August peaks and 21.0 MPG that had fallen 303 cents both rebounded around 100 cents. This relief rally should deliver some positive opportunities for hedging into next year. Bidding on the forwards started strongly and continue to gain momentum as the auction confirmed that the base that started to form last week had been confirmed. The 19.0 micron levels for the New Year lifted to trade at 2100 out to May and bid to 2130 for January and February. Grower enquiry improved but with only 45t traded for the week had yet to convert into traded volumes. We anticipate, with only three trading weeks to recess, that the market should hold these gains through to the New Year. Hedging levels for 19.0 micron should remain over 2100 through to May/June. Longer term bidding, into the spring and summer of 2019 has lifted with 19.0 trading in November at 1960 up 30 cents on last week. The value of setting targets for such longer date hedging is borne out by the range of trades (for the 19MPG) for this period over the last six months is 1900 to 2105. Interest in the Crossbreds continued with both 28.0 and 30.0 bid over cash early in the week and trading at 710 cents for 30 micron.

### Trade Summary

19.0	January	2060	5t
19.0	March	2000	2.5t
19.0	May	2100	10t
19.0	October19	1950	10t
19.0	November19	1960	5t
21.0	February	2100	5t
21.0	May	2050	2.5t
30.0	February	710	5t
Total			45 t

## AUD Commentary - SA (Southern Aurora) Markets

It was a tough week for the Australian Dollar as it fell from Monday's opening and high of .7328, to a low Thursday of .7202 before recovering into Friday at .7246. The AUD was caught mainly three different ways this week, firstly by a rising USD that lifted on the back of surprisingly strong U.S Payroll data of 227,000 that also suggests that U.S unemployment might fall below 3.7%, secondly the British Pound surged higher after European and British Leaders announced an in principle draft text setting out an agreement that pledges an "ambitious, broad, deep and flexible partnership" but without the specific detail" and thirdly the RBA voiced concern again this week over the very low wages growth and weakness in houses prices. The RBA was also concerned about the loss of faith in the big Banks as seen from the news coming out of the Banking Royal Commission.

Meanwhile JP Morgan released their currency analysis which suggests the AUD is likely to fall below 70 cents next year. "Many of the themes for the AUD in 2019 look familiar—narrowing interest rate differentials as the Fed continues to normalise policy, a modest but slowing Chinese growth and lower commodity prices," We forecast AUD/USD at .6900 by the middle of 2019 and .6800 by year-end "Given the macro backdrop, the risks to this view are that the AUD will trade even lower than anticipated. "Our risk bias to AUD/USD in the next year remains to the downside given domestic politics, risks around housing and persistent EM vulnerabilities,"

Technically the AUD failed to break higher and fell back into short term range trading, however bias remains on AUD is more likely to break support and resume the downtrend. Initial support is found at .7190 and resistance at .7340.

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