

# WOOL MARKET WEEKLY REPORT

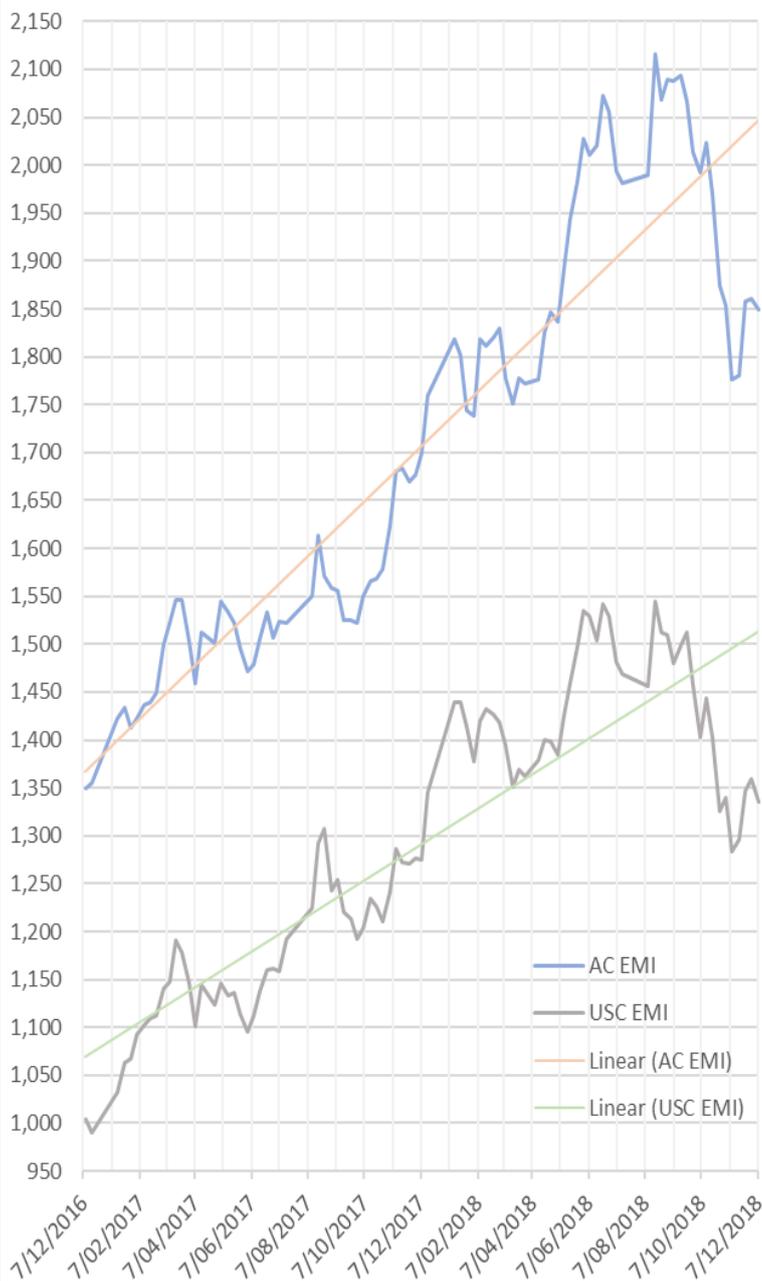
Sale Week 23:7th Dec 2018



Offering—Aust. only		Currency movements		
Bales offered	37,410	AUD:USD	0.7226	- 1.20 %
Passed-In %	10.2 %	AUD:CNY	4.9700	- 2.09 %
Bales Sold	33,607	AUD:EUR	0.6368	- 0.87 %
Season Sold	647,911	RBA close Thurs 6th Dec 2018		

Eastern Market Indicator (EMI)			
AUD	<b>1849 ac/kg</b>	<b>- 11ac/kg</b>	<b>- 0.59%</b>
USD	1336 usc/kg	- 24 usc/kg	- 1.79%
CNY	91.90 ¥/kg	- 2.52 ¥/kg	- 2.67%
EUR	11.77/kg	- 0.17 €/kg	- 1.46%

AWEX Weekly closing EMI as at 7th Dec 2018



AWEX Auction Micron Price Guides.

Sales held Wed 5th & Thurs 6th Dec 2018			
MPG	Sydney	Melbourne	Fremantle
17mic	2513 +26	2445 +19	-
18mic	2379 +7	2326 +11	2273n+58
19mic	2218 +30	2202 +7	2200 +34
20mic	2147 +6	2156 +4	2130 +2
21mic	2129 =	2133 -5	2103n -10
22mic	-	2140n -1	-
23mic	-	-	-
24mic	-	-	-
25mic	1433n	-	-
26mic	1205 -130	1244n -115	-
28mic	855	850 -96	-
30mic	703n	683 -70	-
32mic	-	450n	-
MCar	1183 -16	1174n -7	1163n -20

Scheduled Australian Wool Auction Sales

Sale week commencing	2018/19 forecast	2017/18 actual
Week 24 10/12/2018	48,777 bales	50,913 bales
Week 25 17/12/2018	RECESS	RECESS
Week 26 24/12/2018	RECESS	RECESS

## AWI Commentary

A tale of two markets this week as the sale results were entirely opposing between the wool breed types at this week's Australian wool auctions. Merino wool of all descriptions was highly sought, whereas the crossbred sector fell away significantly as the extraordinary gains of last week were outdone by the remarkably large losses of this week. The Australian Wool Exchange (AWEX) Eastern Market Indicator (EMI) closed 11ac or 0.6% lower to 1849ac clean/kg, but a more substantial loss of 1.8% or 24usc were measured in the USD EMI to 1336usc clean/kg. This is somewhat misleading though as the AUD dropped radically (more than 1%) after most of the wool sales had concluded.

Looking at the EMI in isolation can be a dangerous observation at times, as it clearly does not indicate the direction that Merino wools took this week, or indeed the extent of the falls in the crossbred sector. It should always be looked at as just a very general market directional indicator. In usual times there is very little to no wool available or sold at the level that the EMI is quoting. Obviously the end uses of wool types and descriptions are completely different not only between the differing sheep breeds, but additionally within breeds, so drilling down to individual types areas is essential for the clearer market signals.

The continued absence of the usual strength of the largest Chinese indent trader in the Merino fleece segment was evident again this week, but local traders stepped up aggressively to fill the gap. That major Chinese indent buyer was still active, but on most occasions was out-bid by the locals and the top makers, and they were seemingly operating to a strict buy-in level of pricing, which is not their usual modus operandi.

Australia's largest wool trading house topped almost all type sectors on buying volume lists and injected further confidence into the industry as it was keen to acquire volume on every part of the offering. They were ably supported by most other traders which at this time of year is quite strange as traders usually would not like to carry stock over the recess and into the Chinese New Year non delivery period.

Merino fleece and skirtings of all descriptions either fully maintained or became upwards of 30ac dearer. Surprisingly, the lowest quality wools on offer took the most gains out of the week, with some 50 to 60ac rises at the finest end as well as similar gains on the sale lots containing higher vegetable matter VM (more than 2%) , which are rapidly diminishing in availability. The market movement in the crossbred sector can only be described as bizarre to extreme thinking. After gaining 80 to 90ac last week, falls of 110 to 130 were commonplace this week, perhaps indicative of how just a little new business can severely influence the prompt market.

Next week now sees the offering jump substantially to around 49,000 bales for the final sale for a month for the Christmas recess .

## AWTA Key Test Data - End November 2018

- The monthly comparisons of total weight tested for November 2018 compared with the same period last season reveal 21.1% less wool tested.
- The progressive comparison of total weight tested for July 2018 to November 2018 compared with the same period last season show 12.6% less wool tested for the season so far.
- AWTA Ltd has tested 139.4 mkg (million kilograms) this season compared with 159.6 mkg for the equivalent period last season.

## AUD Commentary - SA (Southern Aurora) Markets

After last weeks strong rally on the Aussie Dollar to a high at .7396, it seemed a genuine change of trend might be about to happen, but the reality of the Australian Economy and the Trade issues between the U.S and China saw that market tumble this week from Mondays high of .7394 to a low on Thursday night of .7194, a 200 point fall. Today, Friday the AUD has lifted a little to .7230.

During the week the release of Australia's GDP Data caused Economists to reassess the trajectory and poor performance of the Australian Economy. The GDP Data showed that Australian economic growth has slowed sharply in the three months to September, driven by a deceleration in household spending. At 0.3%, the increase in real GDP was the weakest since the economy contracted in the September quarter of 2016. This result will be a disappointment to the Reserve Bank. We can expect the RBA to lower its forecast for GDP in 2018 from 3.5% to 3.0%

Technically the sharp movement down in the Aussie from his week high of 7396 is poised to post create a reversal on the charts leaving it vulnerable to further losses. Focus is now on the support at .7180. A break through there targets the .7020 low. After such a sharp fall we would expect a corrective rally, possibly back to resistance at .7300. However our bias remains to the downside for the AUD.

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

Roles reverse as Crossbred fall and merinos steady

The volatile nature of the spot market again showed itself with the crossbreds giving back its gains and the merinos tightening slightly under short supply.

The forward market, although lacking in volume, presented opportunities again. Crossbred growers were again the beneficiary of strong forward bidding with 28.0 trading into the autumn at 900 cents and 30 micron 730 cents. This ended up being 40 to 50 cents above cash by auction close Thursday. This highlights the wisdom of having realistic targets in place to take advantage of the volatility and price rallies. Forward prices on the merinos improved with 21.0 micron achieving at 2100 for March having traded as low as 1980 last month when the spot auction corrected substantially. A short term base is in place with the forwards bid at 2050 and above out to June 2019.

It was a week of mixed messages. Confidence rose on the news that tensions between USA and China have been put on hold. Globally commodity prices rose on the news but enthusiasm waned as the substance of the rhetoric was questioned. A weaker AUD is supporting spot prices but we are yet to see improvement in off shore prices. There is some negative sentiment attached to the larger than expected auction offering for the final week of sales prior to the recess. Long term levels one and two years out on the fine merinos (19.0 1930 for Nov 2019 and 1880 for Nov 2020)

Expectations remain that the week of auctions will again show viability between microns and quality with buyers selectively filling commitments where necessary and avoiding taking stock into the break.

### Trade Summary

19.0	January	2160	7t
21.0	December	2125	15t
21.0	March	2100	5t
28.0	March	900	5t
28.0	April	900	5t
30.0	March	730	2.5t
30.0	April	730	2.5t
			Total 42 tons

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