

WOOL MARKET WEEKLY REPORT

Sale Week 24: 14th Dec 2018

THE WOOLMARK COMPANY



awil
Australian Wool Innovation Limited

Offering—Aust. only		Currency movements		
Bales offered	46,003	AUD:USD	0.7226	=
Passed-In %	10.2 %	AUD:CNY	4.9668	-0.06 %
Bales Sold	42,529	AUD:EUR	0.6358	-0.16 %
Season Sold	690,440	RBA close Thurs 13th Dec 2018		

Eastern Market Indicator (EMI)			
AUD	1862 ac/kg	+ 13ac/kg	+ 0.70%
USD	1345 usc/kg	+ 9 usc/kg	+ 0.70%
CNY	92.48 ¥/kg	+ 0.58 ¥/kg	+ 0.64%
EUR	11.84/kg	+ 0.07 €/kg	+ 0.54%

AWEX Weekly closing EMI as at 14th Dec 2018



AWEX Auction Micron Price Guides.

Sales Tues 11th, Wed 12th & Thurs 13th Dec 2018

MPG	Sydney	Melbourne	Fremantle
17mic	2532 +19	2500 +55	-
18mic	2402 +23	2371 +45	2328n+55
19mic	2247 +29	2248 +46	2246 +46
20mic	2178 +31	2188 +32	2179 +49
21mic	2145 +16	2156 +23	2145n+42
22mic	-	2155n +15	-
23mic	-	2121n	-
24mic	-	1831n	-
25mic	-	1388n	-
26mic	1205n =	1229n -15	-
28mic	855n =	863 +13	-
30mic	-	693 +10	-
32mic	-	454n +4	-
MCar	1146 -37	1138n -36	1105n-58

Scheduled Australian Wool Auction Sales

Sale week commencing	2018/19 forecast	2017/18 actual
Week 25 17/12/2018	RECESS	RECESS
Week 26 24/12/2018	RECESS	RECESS
Week 27 31/12/2018	RECESS	RECESS

A generally strong conclusion to the 2018 year eventuated at this week's Australian wool auctions. Merino wool of all descriptions was highly sought, crossbreds regained some confidence following the erratic past three weeks, whilst cardings are seemingly out of favour once more as the price recovery of recent months seems to have pushed the price up and too far away from manufacturer's target pricing.

The Australian Wool Exchange (AWEX) Eastern Market Indicator (EMI) closed 13ac or 0.7% higher to close the calendar year at an EMI of 1862ac clean/kg. In a very rare event, the USD EMI also rose 0.7% as the AUD:USD exchange rate remained at exact levels on a week to week comparison. The EMI in USD closed out the year 9usc higher for the week to 1345usc/clean kg.

In what was a return to normal operations, as the largest trading company buyer in Australia completely took to their market purchasing in force. They exerted significant muscle across all types and descriptions and topped nearly all buying lists by quite some way. It has been some time since we have seen one company take over 6,500 bales for a sale series. When you consider a price of over \$2,000 per bale, that is quite a heavy spend and sends a very positive signal to not only the trade but also gives confidence to wool growers, many of whom are facing very trying times in regards to the harsh seasonal conditions.

The big Chinese indent trader stepped into the market again to try to buy once more, but its operations seem to be restricted to the Merino fleece segment, which seems to be their specialty these days. Other local trading houses were also participating keenly but the big buyer was just too strong in buying intent. It made no sense, for them, to push up the price as their purchase volume and price would only go further away from their clients ability to pay the price.

The largest Chinese top making company continued their want to build inventory and in reality they have been the most consistent supporters to Australian wool growers, as they have remained steadfast and consistent in their purchasing through both the lows and highs of the market. The big top maker in Europe also bought strongly but its focus appeared to be at the cheaper end of the market on the crossbred and skirting sectors.

Merino fleece and skirtings of all descriptions were very measured in their gains this week and daily appreciations of price increases around 10 to 15ac were made and by week's end 25 to 50ac higher price levels resulted. Crossbred generally stabilised, then started to become dearer towards the close. An unchanged to slightly dearer finish was made. Cardings disappointed with a 40 to 50ac fall, but at the lower levels there appeared evidence of more interest from more players.

Prices of Australian wool has gone from an average monthly EMI (Eastern Market Indicator) December 2017 of 1730 ac/kg clean to a close this week of 1862 ac clean/kg. This 132 ac/kg rise for the calendar year represents a 7.6% increase in the EMI. Although the price gains have taken a wavering path, by the end of 2018 prices have generally been on the rise now since 2012.

The Australian wool auction sales are now in recess for a period of three weeks. Sales are scheduled to recommence on the 8th January 2019, with both Melbourne and Fremantle expecting to sell, while Sydney will return to selling on the 9th January 2019.

A restful and good break to all readers if you are able to take some time away. Our next weekly wool summary report will be on Friday 11th January 2019.

It was a much quieter week for the Australian Dollar as it drifted within a 64 point range, going from Monday's low of .7180 to Thursday's high of .7244, before easing Friday to .7225.

Global news was mildly positive, and the apparent thawing of China and U.S Trade tensions supported the market, while stronger economic data out of the U.S supports the view that the economy is still expanding and the U.S Fed is almost certain to raise rates this month. During the week also Mario Draghi confirmed at the European Central Bank Meeting that ECB rates would stay on hold at -0.04% and the Bank would ensure adequate funds remained in the system as they revised down European GDP and inflation numbers.

In positive news from London, the Prime Minister survived a no confidence motion and now has support for the moment to conclude a Brexit deal. In Australia there is a growing view by economists that the next move in rates by the RBA might be down 0.25%, and that's weighing on Australian Dollar, with some analysts targeting 65 US cents by mid next year.

In the Australian Bond market, the yield curve for overnight index swaps — a gauge of expectations for short-term rates — has inverted, suggesting traders expect the RBA's cash rate to be slightly lower than the current 1.5 per cent in a year's time. BlackRock's Craig Vardy said the Australian Dollar has been the worst performer among the Group-of-10 major currencies so far in December. A wildcard for investors is the looming Australian Election, and the policy of Labor with respect to debt and cutting negative gearing and its affects on housing market, where prices are already under pressure said Ray Attrill, head of foreign-exchange at National Australia Bank.

Technically the Australian has found support and short term bias is neutral. A break below the .7160 support would indicate a retest of the .7020 low. On the upside a break above 0.7284 will see an attempt to rally to previous resistance at .7446. We still believe the larger bias in the Australian Dollar is down.

To all readers have a very Merry Christmas.

Wool forwards report - SA (Southern Aurora) Markets

A quiet week on the forwards. Buyers lifted levels into the new year but were unable to attract too much interest from the growers. Bidding remains slightly under spot levels reflecting the difficulty of buyers to attract significant offshore interest ahead of the Christmas recess. The exception is on the Crossbreds where bidding on the 28.0 micron group is showing a 2% premium to spot out to June 2019.

The merinos are bid under cash but still represent the 75 to 85 percentile for the last two years. 19.0 micron bidding is 2200 in January out to 2155 in June with 21 micron 2110 in January to 2050 in June. We expect pre Christmas activity to be light but opportunities to be there for growers to hedge at historically high levels.

Trade Summary		ac clean/kg	volume
19.0	May	2110/2155	10t
19.0	June	2125	5t
20.0	Feb	2155	5t
28.0	Feb	860	2.5t
Total			20.5 t