



| Offering—Aust. only | | Currency movements | | |
|---------------------|---------|-------------------------------|--------|---------|
| Bales offered | 47,593 | AUD:USD | 0.7185 | -0.57 % |
| Passed-In % | 7.0 % | AUD:CNY | 4.8800 | -1.75 % |
| Bales Sold | 44,261 | AUD:EUR | 0.6216 | -2.23 % |
| Season Sold | 734,711 | RBA close Thurs 10th Jan 2019 | | |

| Eastern Market Indicator (EMI) | | | |
|--------------------------------|-------------|-------------|---------|
| AUD | 1910 ac/kg | + 48ac/kg | + 2.58% |
| USD | 1372 usc/kg | + 27 usc/kg | + 2.00% |
| CNY | 93.21 ¥/kg | + 0.73 ¥/kg | + 0.79% |
| EUR | 11.87/kg | + 0.03 €/kg | + 0.29% |

AWEX Weekly closing EMI as at 11th Jan 2019



AWEX Auction Micron Price Guides.

Sales Tues 8th, Wed 9th & Thurs 10th Jan 2019

| MPG | Sydney | Melbourne | Fremantle |
|-------|-----------|-----------|-----------|
| 17mic | 2557n+25 | 2524 +24 | - |
| 18mic | 2435 +33 | 2415 +44 | 2337n +9 |
| 19mic | 2296 +49 | 2291 +43 | 2279 +33 |
| 20mic | 2240 +62 | 2254 +66 | 2230 +51 |
| 21mic | 2200 +55 | 2240 +84 | 2205n+60 |
| 22mic | - | 2204n +49 | - |
| 23mic | - | 2145n +24 | - |
| 24mic | - | - | - |
| 25mic | - | 1455n +67 | - |
| 26mic | 1259n +54 | 1288 +59 | - |
| 28mic | 886n +31 | 898 +35 | - |
| 30mic | - | 706 +13 | - |
| 32mic | - | 488n +34 | - |
| MCar | 1179 +33 | 1178n +40 | 1136n+31 |

Scheduled Australian Wool Auction Sales

| Sale week commencing | 2018/19 forecast | 2017/18 actual |
|-----------------------|------------------|----------------|
| Week 29 14/01/2019 | 53,908 bales | 54,350 bales |
| Week 30 21/01/2019 | 41,735 bales | 42,525 bales |
| Week 31 28/01/2019 | 36,620 bales | 39,585 bales |

AWI Commentary

Following a three week break in sales for Christmas, Australian wool auction sales resumed this week, and prices across the board advanced significantly. A wildly erratic but cheapening Australian Dollar (AUD) against all major trading currencies through the course of the recess had buyers eager to accumulate quantity from the outset of selling. Widespread and similar opinions of a dearer wool market were commonplace pre-sale as buyers returned to the show floors. By weeks end, this was exactly what had eventuated.

The Australian Wool Exchange (AWEX) Eastern Market Indicator (EMI) gained 48ac clean/kg for the week to close at **1910ac**, a figure which is 2.58% higher than the pre Christmas close. Similarly, but not to the same extent, the EMI when expressed in US Dollars (USD) gained a neat 2% to move upward 27usc clean/kg to close the week out at **1372usc**. Whilst these two results were impressive, when the EMI is looked at in Euro and the Chinese Yuan, gains of just 0.3% and 0.8% respectively showed that not all users had to extend themselves too far from the pre Christmas price levels to participate in the purchasing activity.

The fine and medium Merino fleece and skirtings were the prime movers this week as general levels increased by 50 to 80ac per kg, with the broader edge being the most sought. Within this generalization though, some of the better specification types were much dearer than these quoted ranges, and conversely, the lower specification wools were not as dear.

The super fine types were not neglected though and gains of between 25 and 40ac were recorded. Of most interest was any sale lots meeting Italian (European) and Indian order parameters, which has been a season long trend as both of those destinations continue to bite into the market share of China whom on latest export figures have fallen from 75% last season to 71% this year. Significant also is the fact that just 735,000 bales has been sold through auction to the trade this year in comparison to the 935,000 bales sold at the same time of last season. This represents 200,000 bales or 21.3% less wool to the global wool industry from Australia in just over 6 months.

Cardings have commenced the new year and have for the moment reversed their cheapening trend seen towards the end of 2018. All types appreciated by varying margins of between 25 and 50ac in a largely positive market. The finer end (les than 29 micron) of the crossbred sector showed almost identical gains and the broadest wools (greater than 29micron) also gained a handy 15 to 20ac per clean kg.

Nest week sees a very large offering of almost 54,000 bales rostered to sell. This volume is thought to put to test immediately the extremely positive commencement to the new year.

AWTA Key Test Data December 2018

- The monthly comparisons of Total Lots, Bales and Weight for December 2018 compared with the same period last season are: -4.5%, -8.1% and -7.8% respectively.
- The progressive comparison of Total Lots, Bales and Weight for July 2018 to December 2018 compared with the same period last season are: -5.9%, -11.9% and -12.0% respectively.
- AWTA Ltd has tested 161.3 mkg (million kilograms) this season compared with 183.3 mkg for the equivalent period last season.

AUD Commentary - SA (Southern Aurora) Markets

Welcome back to all readers, and Best Wishes for 2019. The New Year has ushered in remarkable volatility for the Australian Dollar highlighted by the so called "flash crash" last week which saw the AUD drop briefly to a 10 year low against the USD at .6729 while also tumbling 6% against the Japanese Yen in that 15 minute melt-down. Just as quickly the Aussie bounced back within the session to .6937. Traders said that thin New Year market trading combined with an announcement from Apple that sales had weakened, especially in China caused a brief panic, as data earlier in the week also pointed to a slowing Chinese Economy. This week however it's been a completely different story with the Aussie remarkably stable, and edging higher all week. We opened on Monday at the low of .7106, rising to a high on Thursday of .7197, before easing a little today (Friday) to .7185. The AUD took some strength from a softer USD this week. In Australia there is a growing list of Economists saying that the RBA will leave rates on hold through 2019 and possibly 2020 as well as house prices continue to ease across Australia, especially as we still have wages growth below the RBA's projections and historically high personal debt levels. Several Economists have gone as far as to say there is a chance the RBA may be forced to cut rates, but they are in the minority.

Technically the rebound in the AUD from the low last week of .6729 is still in progress, and the rebound could extend to the major resistance level at .7404 seen in December, however the bias remains negative, and any rally is likely to be temporary unless the key resistance is broken.

Wool forwards report - SA (Southern Aurora) Markets

A volatile start to the new year with all micron groups dearer at auction Tuesday and Wednesday. Bids on the forward markets lifted but levelled as the spot market eased slightly on the close Thursday. Trading on the forwards was again light. Selling interest was spread evenly between growers and traders with latter looking to balance their books on the lack of off shore demand. Growers took advantage of the early spike in the fine and medium merinos and were able to hedge small quantities of 19.0 between 2200 and 2230 for the April May window. Better volume traded in the 21.0 microns with exporters raising the trade levels from 2100 to 2160 before the close Thursday.

The risk profile for most commodity markets is high to start the year. The on again off again trade dispute between the two largest economies has traders wary. This coupled with the historical high price levels for wool and the drought constricted supply is making medium term decision making difficult for buyers and sellers alike. High prices have taken a bite out of demand with the latest export statistics showing a 27 percent reduction on the corresponding month for the previous season and a 19 percent reduction year on year for the July to November period. With supply predicted to be down in excess of 10 percent the balance with demand appears to be at a critical point. Volatility in prices will be the likely outcome.

Growers looking to hedge should be looking to set price targets based on medium term price trends. Forward levels for Autumn/Winter on the key 19 and 21 micron indices are currently sitting on the 90th percentile based on the last four years data and 80th percentile for the last two years

Higher auction supply next week is predicted to put a little pressure on the spot market. Forward levels should hold firm ahead of the auction. For prices and trades visit www.samarkets.com.au

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