



Offering—Aust. only		Currency movements		
Bales offered	41,757	AUD:USD	0.7110	-0.59 %
Passed-In %	9.6 %	AUD:CNY	4.8251	-0.29 %
Bales Sold	37,749	AUD:EUR	0.6245	-0.60 %
Season Sold	820,669	RBA close Thurs 24th Jan 2019		

Eastern Market Indicator (EMI)			
AUD	1927 ac/kg	+ 4 ac/kg	+ 0.21%
USD	1370 usc/kg	- 5 usc/kg	- 0.38%
CNY	92.98 ¥/kg	- 0.08 ¥/kg	- 0.08%
EUR	12.03 €/kg	- 0.05 €/kg	- 0.40 %



AWEX Auction Micron Price Guides.

Sales held Wed 23rd & Thurs 24th Jan 2019

MPG	Sydney	Melbourne	Fremantle
17mic	2538 +15	2497 -11	-
18mic	2432 +25	2434 -4	2318n -23
19mic	2313 +9	2283 -3	2271 -13
20mic	2277 +21	2246 +12	2239 -13
21mic	2245n +20	2235 +2	2219 -9
22mic	-	2213n +11	-
23mic	-	-	-
24mic	-	-	-
25mic	1505n	1458n	-
26mic	1298n -41	1307 -34	-
28mic	934n -7	945 -9	-
30mic	-	741 +22	-
32mic	-	486n +7	-
MCar	1186 -16	1151 -21	1123n -43

Scheduled Australian Wool Auction Sales

Sale week commencing	2018/19 forecast	2017/18 actual
Week 31 28/01/2019	40,629 bales	39,585 bales
Week 32 04/02/2019	37,575 bales	39,582 bales
Week 33 11/02/2019	38,242 bales	42,519 bales

AWI Commentary

Australian wool auction sales sold under a rather mundane atmosphere this week. Market results were directly opposed by wool type as the long wool Merino sector remained very well sought and appreciated by a few cents generally, while all carding and crossbred descriptions failed to hit last week's quotes and fell away in price somewhat. In general, Merino types were anything from unchanged to 15ac dearer, crossbreds 10 to 30ac lower and cardings recorded a 15ac loss.

The Australian Wool Exchange (AWEX) Eastern Market Indicator (EMI) still managed a gain of 4ac clean/kg for the week to close at 1927ac, but this was mainly foreign exchange (forex) rate driven as the Australian Dollar (AUD) weakened against all the major trading currencies by around 0.3 to 0.6%. The EMI when expressed in US Dollars (USD) fell 5usc to 1370usc.

Buyer sentiment was somewhat hard to gauge this week, as trading exporters appeared to be either keeping opinions tightly to themselves or they are trying to operate within an unknown environment as to the immediate prospects of wool price and demand that is in play. The latter appears to be more likely. With prices at historically high levels, the risk appetite of buyers remains very low, so speculative stock taking is practically nil. The known holding and financial cost burdens outstrip any potential profit given a gamble of an upward market movement pays off and an assured substantial loss given the opposite movement occurs.

It also seems that our manufacturing destinations are also facing the same unknowns further upstream, as the indent operators or mill buyer representatives are back to dominating buyers lists. These operators are generally an extension of the "just in time" or "hand to mouth" delivery mechanism of wool to first stage manufacture that has been engaged since wool prices went on the bull run of the past four or five years. The week or two of the local traders enthusiasm appears to have waned, with just the largest remaining competitive at the top.

As we progress further into the new years sales, the continuing drought is increasing its impact on the quality of the wools being offered. A dearth of Merino types finer than 18.5 micron is prevalent and the most unusual occurrence of large volumes of crossbred wools between 23 and 27 micron being offered. These two sectors are making up a high percentage of the total selection available across all wool. The price gap between Merino qualities seems to be stable, whilst the crossbreds are continually changing daily trying to find comfortable levels of trade.

Perhaps the most consistent season-long demand has centred around the European super fine types (finer than 18.5 micron). Within this micron price range and published quotes, the values of these wools are somewhat hidden as they are both low in volume available and also so far ahead in price and specifications they are most likely excluded. Most of the wools that exhibit the best of style and strength (nkt) are still commanding price premiums of 120 to 240ac in some cases for the wool clips that meet buyer's specifications and are of sound tensile strength.

Next week sees an offering of a little over 40,000 bales. Despite this weeks sales offering similar prices to previous, the pass in rates moved upward to near 10% national. Significantly a high proportion of that pass in rate came from the WA sales where 12.4% of the offered quantities were held onto. With the market a little jittery towards the close, we hope that prices hold onto their levels so that China can go into their New Year in a positive mode.

AUD Commentary - SA (Southern Aurora) Markets

The Australian Dollar was under pressure this week falling against the US Dollar and the major global currencies despite the release of positive local employment data. On Monday the AUD opened quietly on its high at .7172 before falling to Wednesday, where a sharp spike saw a rally to .7166, which was then followed by an even sharper 100 point fall to Thursday's low of .7074, and then a small lift today (Friday) to .7092.

The AUD was pressured by a combination of a rising USD, softening economic data out of Europe and China and a warning from a growing chorus of Senior Australian economists that the Economy is now likely to struggle for years longer than initially expected by the RBA. They suggest the RBA will now be forced to leave rates on hold till at least 2020, and may actually need to cut rates if things worsen.

Despite the continuing falls in major city housing prices, this week the NAB lifted its variable home loan rates, citing along with the other major Banks the rising costs of funding. The release of Australia's Unemployment Data this week rounded out a strong year with the December data showing a drop to 5% in the unemployment numbers, the lowest level since June 2011.

Technically the break of .7120 support suggests further downside for the Aussie, however it is oversold and a small relief rally is expected. The next key support level is .6912, and a break of that could see a further sharp sell-off. On the upside we find strong resistance at .7230. Our bias still remains for a lower AUD.

Wool forwards report - SA (Southern Aurora) Markets

Forward markets were stagnant this week with very little interest coming from the grower side. Traders populated both sides of the market as they look to balance positions. Demand signals remain poor with exporters unable to sell at levels the tight supply conditions demand.

The spot auction remained firm across all merinos type but fine crossbreds had mixed results. The only trading was in the late autumn/early winter with May and June executed at 2165 and 2160 respectively. Some improved bidding has come through in the spring with 19.0 bid to 2140 and 21.0 at 2010.

Growers are justifiable cautious at these levels having to deal with the ongoing drought and, with the benefit of hindsight, the fact than forward discounts that were unwarranted. Unfortunately we continue to be in a higher risk landscape. Macro economic signals suggest a drop in commodity prices. Hopefully for wool this will be mitigated slightly by historically low supply and an Australian Dollar that at best will hold in the low seventies.

With our largest processor, China, reducing imports and consumer confidence low the outlook is for higher volatility with a weakening bias.

The current heat wave conditions and production issues are the priority but margin management on the clip that is coming should not be ignored. Setting historically high target will guarantee margins and spread the risk along the pipeline. Based on the last two years data spot is around 85 percentile level which is 19.0 2292, 21.0 2220 and 28.0 946. These could be good starting point mitigate risk in the short term window. Medium and longer term hedging would likely look to target more to the 70 to 80 percentile range depending on individual situation and appetite to risk. Trads and prices visit www.samarkets.com.au

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