



WOOL MARKET WEEKLY REPORT

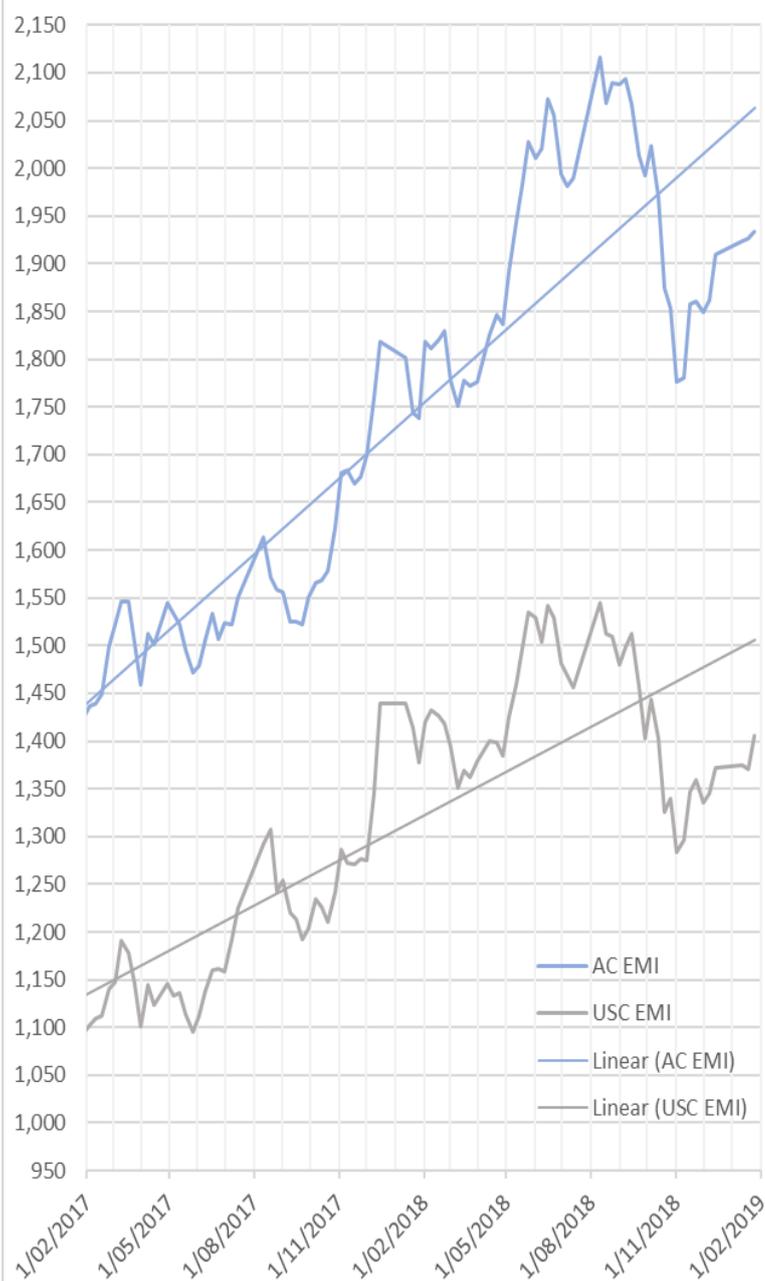
Sale Week 31: 1st Feb 2019



Offering—Aust. only		Currency movements		
Bales offered	38,830	AUD:USD	0.7268	+ 2.22 %
Passed-In %	7.2 %	AUD:CNY	4.8698	+ 0.93 %
Bales Sold	36,027	AUD:EUR	0.6318	+ 1.17 %
Season Sold	856,696	RBA close Thurs 31st Jan 2019		

Eastern Market Indicator (EMI)			
AUD	1934 ac/kg	+ 7 ac/kg	+ 0.36%
USD	1406 usc/kg	+ 36 usc/kg	+ 2.59%
CNY	94.18 ¥/kg	+ 1.20 ¥/kg	+ 1.29%
EUR	12.22 €/kg	+ 0.19 €/kg	+ 1.54 %

AWEX Weekly closing EMI as at 1st Feb 2019



AWEX Auction Micron Price Guides.

Sales held Wed 30th & Thurs 31st Jan 2019

MPG	Sydney	Melbourne	Fremantle
17mic	2538 =	2508 +11	-
18mic	2437 +5	2443 +9	2336n+18
19mic	2304 -9	2287 +4	2282 +11
20mic	2273 -4	2251 +5	2236 -3
21mic	2249 +4	2224 -11	2222n +3
22mic	-	2223n +10	-
23mic	-	2222n	-
24mic	-	1915n	-
25mic	1505n =	1503n +45	-
26mic	1343n +45	1333 +26	-
28mic	1024n +90	1031 +86	-
30mic	839n	848 +107	-
32mic	-	509n +23	-
MCar	1165 -21	1123n -28	1125n +2

Scheduled Australian Wool Auction Sales

Sale week commencing	2018/19 forecast	2017/18 actual
Week 32 04/02/2019	40,426 bales	39,582 bales
Week 33 11/02/2019	30,981 bales	42,519 bales
Week 34 18/02/2019	30,000 bales	41,669 bales

AWI Commentary

In somewhat of a surprise to most trade participants, Australian wool auctions sold generally dearer this week. Pre sale discussion centred around the continuing state of new volume forward business being hard to come by at fair and reasonable current market levels. Most expected a softening as China heads into their New Year recess over the next two weeks, but this largely failed to eventuate as the major buyers were keen to acquire volume.

Giving rise to the underlying strength at the moment was that this market consolidation took place in spite of the major foreign exchange (Forex) of the Australian Dollar (AUD) versus the US Dollar (USD) moving 2.2% against the rates available just last week. The AUD is proving problematic and most difficult to chart forward with any degree of accuracy or certainty. Just last week the majority of banks and expert commentators were talking AUD rates against the USD in the mid to high .60's becoming the norm and in relatively short term periods. That rate finished this week's trading at 72.68 us cents.

The Australian Wool Exchange (AWEX) Eastern Market Indicator (EMI) advanced by 7ac clean/kg for the week to close at 1934ac, but this average market number is hiding some radical price improvements and some minor losses in specific categories. When measured in USD, the positive progress of the market is clearly exposed as that significant figure showed a gain of 36usc or 2.6% to close the week at 1406usc/clean kg, which was more reflective of the mid week sentiment.

The most significant of market activity this week centred around the crossbred sector where some massive advances in price levels were recorded. The finer edge (24 to 27 micron) appreciated by 45ac or 3.5 to 4%, but it was the 28 to 30 micron zone that took huge price gains out of buyers' pockets with rises of 100ac or almost 15% increases in just the one week. Vital to note for producers of these wools was the important notation of AWEX in their report this week that stated that "the better prepared lines attracted the strongest competition".

With Merino prices relatively high and volumes of the same are worryingly low, our overseas manufacturing partners are obviously looking to other sources to continue to participate. Whilst a move towards a higher percentage of synthetic blends is always on the cards, the crossbred wools have seemingly become first choice for cheaper blend components and have been heavily targeted to keep mills churning out garments. Since the commencement of the New Year, crossbreds have shown great price advances with 24 to 27 micron improving to the order of 8.6% to 10.6%, 28 to 30 micron a huge 20.6 to 22.4% whilst the broadest edge 12% against a general backdrop of 3 to 4% gain in Merino price over the same time period.

Next week sees a little over 40,000 bales being offered with the following two weeks falling sharply to just over 30,000 bales each.

AUD Commentary - SA (Southern Aurora) Markets

It was a big week for the Australian Dollar, both for data releases and the trading range. After opening quietly on the holiday Monday at .7190 the Aussie softened Tuesday to a low of .7138 before trading sharply higher Wednesday to .7274 immediately following the release of Australia's stronger than expected CPI Data before rallying again to a fresh high today, Friday of .7294 on a weaker USD.

The headline CPI coming was 0.5% for the three months to December and 1.8% for the year, against the expected headline number of 0.4%. The AUD also received support later midweek from a USD sell-off with the release of the US Federal Reserve's January Monetary Policy Statement, which gave relief to many by saying that there was no rush to tighten policy settings anytime soon stating that "In light of recent global economic developments and muted inflation, the Committee will be patient as it determines future adjustments".

The USD fell and the Dow Jones rallied back through 25,000 points. Also supporting the AUD were big gains in both Iron Ore, Gas and Coal prices. Global markets are also hopeful this week on some good news from China's Vice Premier Liu He visit to Washington to meet U.S. Officials on Trade, including President Trump.

Technically the AUD rally this week broke back through the .7240 resistance and now targets resistance at .7412. On the downside there is support at 7160 and a break of that could see a re-test of the January low. The Aussie remains oversold and an attempt at another small rally is likely, however we still believe the bigger picture remains bearish.

Wool forwards report - SA (Southern Aurora) Markets

Better volumes went through the forward market this week. Buyers were looking to cover positions with ongoing concerns of supply still at forefront. The auction started strongly with indent operators keen to fill orders prior to the Chinese New Year. Crossbreds were in demand and this followed through into the forwards with 40t traded in the May/June window at solid levels delivering excellent hedging opportunities. 21.0 microns traded at season high records of 2190 into Easter.

The strong Australian dollar and continued modest demand saw interest in forwards taper off towards the end of the week with most merino qualities losing ground into the auction close. We see this trend continuing in weeks to come as processors balance the need to keep machinery with the inability to pass the current price levels onto their downstream customers. Risk levels remain high and volatility will be the constant.

We anticipate that the market will be under pressure next week with Chinese New Year capping demand as our biggest customer takes a pause. Trading on forwards should remain steady as buyers look to cover risk and keep exposure to the volatility to a minimum. For trades and prices visit www.samarkets.com.au

AWTA Key Test Data - January 2019

- The monthly comparisons of total weight for January 2019 compared with the same period last season show 12.2% less wool tested than January 2018.
- The progressive comparison of total weight for July 2018 to January 2019 compared with the same period last season shows a cumulative 12.% reduction in current season tested wool.
- AWTA Ltd has tested 187.9mkg (million kilograms) this season compared with 213.5mkg for the equivalent period last season.

AWEX Auction figures

- Sold this season is 856,696 bales compared to 1,058,561 bales last year week31, which is 19.07% or 201,865 less bales sold to trade this season so far.
- EMI in AC this week 1934ac compared to the 1738ac at same sale last year or a 11.28% increase year on year.
- EMI in USD this week 1406usc compared to the 1398usc at same sale last year, which virtually unchanged. USD v AUD last year week31 of 0.8044 compared to the 0.7268 of today.

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