

WOOL MARKET WEEKLY REPORT

Sale Week 32: 8th Feb 2019



Offering—Aust. only		Currency movements		
Bales offered	39,894	AUD:USD	0.7099	-2.33 %
Passed-In %	7.0 %	AUD:CNY	4.7886	-1.67 %
Bales Sold	37,092	AUD:EUR	0.6248	-1.11 %
Season Sold	893,788	RBA close Thurs 7th Feb 2019		

Eastern Market Indicator (EMI)			
AUD	1944 ac/kg	+ 10 ac/kg	+ 0.52%
USD	1380 usc/kg	- 26 usc/kg	- 1.82%
CNY	93.09 ¥/kg	- 1.09 ¥/kg	- 1.16%
EUR	12.15 €/kg	- 0.07 €/kg	- 0.60 %

AWEX EMI Weekly closing rate as at 8th Feb 2019



AWEX Auction Micron Price Guides.

Sales held Wed 6th & Thurs 7th Feb 2019

MPG	Sydney	Melbourne	Fremantle
17mic	2578 +40	2488n -20	-
18mic	2483 +46	2429 -14	2347n+11
19mic	2317 +13	2303 +16	2293 +11
20mic	2290 +17	2252 +1	2248 +12
21mic	2260n +11	2261 +37	2234n+12
22mic	-	2233n +10	-
23mic	-	2232n +10	-
24mic	-	1943n +28	-
25mic	1505n =	1523n +20	-
26mic	1353n +10	1330n -3	-
28mic	1045n +21	1053 +22	-
30mic	-	888 +40	-
32mic	-	511n +2	-
MCar	1159 -6	1114n -9	1125n =

Scheduled Australian Wool Auction Sales

Sale week commencing	2018/19 forecast	2017/18 actual
Week 33 11/02/2019	39,520 bales	42,519 bales
Week 34 18/02/2019	38,205 bales	41,669 bales
Week 35 25/02/2019	35,275 bales	44,150 bales

AWI Commentary

Australian wool auctions sold strongly and to dearer levels this week. Nearly all categories on offer produced sale results that were very firm or slightly dearer on their established values, except for the carding types which sold to the buyers favour throughout for most descriptions. The Australian Wool Exchange (AWEX) Eastern Market Indicator (EMI) advanced by 10ac for the week to close at 1944ac clean/kg, When the EMI is measured in USD, a loss of 26usc or 1.82% was recorded to 1380usc clean/kg, eliminating 70% of last weeks gains in that indicator.

The significantly weaker AUD foreign exchange (forex) rate of minus 2.33% against the US Dollar certainly aided the markets ability to stay in positive territory this week. Advantages were well and truly shared this week as the local sellers were the beneficiaries of getting paid in Australian dollars and our overseas customers were theoretically able to get offers from exporters at discounted prices of between 1.3% and 2.3%, depending on what currency they were buying in.

Playing a part in the weakening factors for forex pricing is that we are in the midst of what appears to be now a common and expected annual period of the market softening as our largest customer, China, celebrated the lunar New Year on Tuesday. China's New Year celebrations now extends to a week or two of holiday for that nation, with many businesses and manufacturers now choosing to take advantage of this time for staff leave and factory shutdowns.

The fact of the wool prices staying as buoyant as they are is indicative of the continuation of the underlying strength of demand. The industry is retaining, and indeed improving, its wool values in face of many external and negative influences. A reported general deterioration in the global economy, in particular the slowing in China's GDP growth, the debacle that the Brexit negotiations has turned into and the tariff disagreement between the USA and China are all cited as potential disruptors to the ongoing demand for luxury products where wool consumption sits. To this end though, no real evidence or impact has been seen on the returns of wool growers here locally at auction.

This week featured a designated super fine sale in the Sydney sale centre. With the improved quality of the offering came improved prices. In the midst of a severe drought it is a credit to the wool growing skills of sheep farmers who can manage their flocks in very trying circumstances to produce such stylish, fully sound wools suitable for European specifications. These clips were duly rewarded and prices on these best style and strength wools finer than 19 micron increased 60 to 80ac for the week and now attract premiums of around 180 to 260ac clean/kg.

The market results defied the somewhat Panglossian view of the comeback/crossbred sector that many hold. All wools 24 to 32 micron either remained solid or increased their values by just 10 to 15ac underwhelming the larger currency movement. Wools around 28 micron were the most sought. On the other hand, those waiting for a downward correction of any magnitude were also disappointed as buyer interest remained consistent.

Next week sees just short of 40,000 bales being offered. Chinese interests are expected to become more active as their holidays end and they return to normal operations. With the AUD continuing to trade at weak rates against the USD, this can only help retain local values.

We apologize for the error in reporting the scheduled volumes in the upcoming wool auction sales in last week's report and sincerely hope no inconvenience was caused.

AUD Commentary - SA (Southern Aurora) Markets

It was up the stairs and sharply down the elevator this week for the Australian Dollar (AUD) as the RBA Governor Philip surprised the market on Tuesday by admitting that all options were now on the table regarding a stalling Australian economy including the possibility of an interest rate cut. Earlier Tuesday the AUD had pushed to its weekly high of .7264, before tumbling more than 140 points after Governor's comments. The AUD fell to the week's low on Thursday night of .7088, before lifting a little today, Friday to .7102

There was a lot of data released this week, some good, but mostly bad, pointing to structural problems within the Australian economy, and also to the slowdown in the Chinese and European economies. Australia's Retail Sales data also fell heavily in December, with ABS Data showing a fall of 0.4% missing expectations for an unchanged reading, also suggesting further downside risk for Australian Q4 GDP. On the upside, Iron Prices continued to surge and that helped support the surprisingly strong ABS Australian Trade surplus numbers, which soared to A\$3.681 Billion for December against expectations. On Thursday night the Euro tumbled heavily against the USD after the European Commission slashed Eurozone growth forecast to 1.3 percent for 2019 from previous estimate of 1.9 percent citing slower global trade particularly in China.

Technically the AUD bias remains negative, however after a sharp sell-off we expect a small rebound. The first level of downside support sits at .7072 and a break there could see a fall to minor support at .6912, then .6780. On the upside, with a rebound, resistance is seen at .7190, a break there could see the rebound extend to .7300. We expect any rally to be short lived.

Wool forwards report - SA (Southern Aurora) Markets

The forward market opened a little hesitantly with the back drop of the Chinese New Year expected to lead to a slow in demand. While volumes where moderate levels rose as the week progressed. Autumn levels lifted and established new benchmarks with 19.0 microns trading at 2250 and 21.0 at 2200. There was light trading in the spring but at discount of 150 to 170 to spot. This reflects the high risk that the forward market sees at current levels.

The impact of demand destruction is yet to come into play as tight supply is keeping any potential price trend reversal in check. Even at the discount the trading levels in the spring represent a price band in the 85 to 90 percent range for the last four years. Processors seem to be unwilling to price much quantity above the lows of last summer that saw 19.0 at 2100 and 21.0 at 2050. Even at these levels processors are unable to find significant garment orders. Grower hedge volumes remain low with traders making up 40% of the sell side this week. We expect to see interest at similar levels next week with the possibility of better pre Easter bidding as exporters look to cover some risk. For trades and current prices please visit www.samarkets.com.au.



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