



WOOL MARKET WEEKLY REPORT

Sale Week 33: 15th Feb 2019



Offering—Aust. only		Currency movements		
Bales offered	40,165	AUD:USD	0.7119	+ 0.28 %
Passed-In %	5.3 %	AUD:CNY	4.8144	+ 0.54 %
Bales Sold	38,030	AUD:EUR	0.6311	+ 1.01 %
Season Sold	931,818	RBA close Thurs 14th Feb 2019		

Eastern Market Indicator (EMI)			
AUD	1968 ac/kg	+ 24 ac/kg	+ 1.23%
USD	1401 usc/kg	+ 21 usc/kg	+ 1.52%
CNY	94.75 ¥/kg	+ 1.66 ¥/kg	+ 1.78%
EUR	12.42 €/kg	+ 0.27 €/kg	+ 2.26 %

AWEX EMI 2 year weekly closing rate as at 8/2/2019



AWEX Auction Micron Price Guides.

Sales held Wed 13th & Thurs 14th Feb 2019

MPG	Sydney	Melbourne	Fremantle
17mic	2587 +9	2520 +32	-
18mic	2490 +7	2461 +32	2377n+30
19mic	2342 +25	2326 +23	2316 +23
20mic	2306 +16	2293 +41	2295 +47
21mic	2270 +10	2281n +20	2282n+48
22mic	-	2263n +30	-
23mic	-	-	-
24mic	-	-	-
25mic	-	-	-
26mic	1368n+15	1354n +24	-
28mic	1080n +35	1103 +50	-
30mic	-	928 +40	-
32mic	-	519n +8	-
MCar	1183 +24	1136n +22	1155n+30

Scheduled Australian Wool Auction Sales

Sale week commencing	2018/19 forecast	2017/18 actual
Week 34 18/02/2019	42,469 bales	41,669 bales
Week 35 25/02/2019	35,780 bales	44,150 bales
Week 36 04/03/2019	36,785 bales	45,536 bales

AWI Commentary

All categories of wool on offer at Australian Wool auction sales sold strongly to the sellers advantage this week. Sales featured some excellent quality (mainly super fine Merino) wools ex Tasmania and these wools attracted a healthy premium and sold predominantly to the traditional Italian weavers. Significantly, historical highest price levels were reached within the crossbred sector. The Australian Wool Exchange (AWEX) Eastern Market Indicator (EMI) advanced 24ac for the week to 1968ac clean/kg. In US dollars (USD) terms, the EMI gained 21usc to close at 1401usc clean/kg.

The current bull run in Australian wool values continues strongly. It is over three and a half months since the commencement of the current run from 1776ac in early November 2018 to today's close of 1968ac, a cumulative gain of 10.8% or 192ac. The validity of the sustained gains currently is backed up by the USD EMI increasing from 1283usc to 1401usc or a 9.2% gain over the same period. Adding further to the potential for some further positive results is the US comparison to a year ago which today's 1401usc still sits 2.57% below the 1437usc of mid Feb 2018.

Mixed signals from our manufacturing destinations and key retail markets has led to a cautious doctrine in the trade. Steady and risk-averse operations have appeared to be the modus operandi of many buyers. On the surface, this public show of apprehension seemed to exude negative indicators for the short term but the longevity, consistency and obvious price gains of the past few months, in pure statistical and charting terms, would suggest otherwise.

Market gains as recorded in recent times don't usually happen when things are tough, particularly as raw material buyers in most industries are renowned bargain hunters and adroit strategists when it comes to locking in machinery fodder (raw wool) at best possible levels. Retail figures from the USA just released show the worst consolidated sales since 2009, but within that, the sales results for wool apparel is, as yet, unknown. Whilst the USA is not necessarily our best market for luxury sales, it is a general indicator as an estimated 14% of Australian grown wool ends up being consumed in the United States.

As we are close to moving out of the Northern Hemisphere winter, factories must now be looking forward to considerations of restocking of greasy wool for the next Autumn/Winter season of 2019/20 and this may be playing a part in current positivity, especially given the effects of the severe and ongoing drought and the general decline of around 12% of global wool supply expected. Events globally thought to negatively impact wool and other textile prices have so far failed to materialize to any measurable degree and figures released this week show that the textile and apparel goods exported out of China actually increased by 3.5% in the 2018 calendar year.

This week's local auction results were highlighted by the performance of the crossbred sector, with 28 to 30 micron types appreciating by upwards of 5%, continuing the strong run from 850ac in December 2018 to today's 1100ac, a gain of 29% or thereabouts in just 2 months. Merino fleece wools of all descriptions posted 30ac gains whilst the skirtings were quoted between 30ac and 50ac dearer for the series. Cardings swung back to the positive and 20 to 30ac advances were made on most types in this sector as mainly the local processors exercised their considerable buying power.

Next week sees another larger than expected offering of around 42,500 bales. With wool prices lifting this week, this was suggestive of Chinese interests returning earlier than calculated from their holidays.

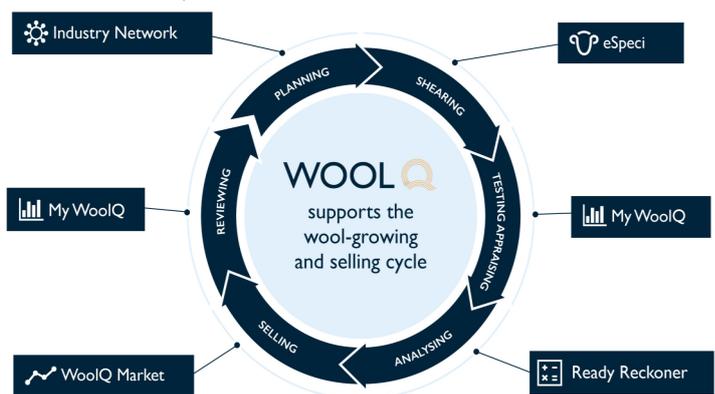
AUD Commentary - SA (Southern Aurora) Markets

The Australian dollar (AUD) remained trapped near the bottom of its recent trading range this week, still under pressure from the disappointing economic figures of last week and from the growing belief that the RBA will likely cut rates. On Monday the AUS dipped to the low of .7055 before lifting to a high Wednesday of .7136, and drifting back today Friday to be trading quietly at .7105.

The AUD lifted midweek on better than expected China trade data, but slipped with the USD overnight when U.S Retail Sales Data surprised by falling 1.2% for December in the biggest drop since 2009 and well below economist expectations for a 0.1% increase. The market also awaits the outcome of the key meetings over the next two days between China and the US. Data out of Europe suggests the Economy is slowing, and overnight Theresa May lost another key Parliamentary vote on Brexit. Earlier this week the release of the NAB Business Conditions Survey showed sharply weaker numbers.

Meanwhile HSBC released a forecast from their Currency Economist Tom Nash suggesting the AUD is headed to 66 cents by the end of the Year, saying "In the 'ugly contest' of G10 FX, we still think the AUD looks unattractive versus the higher carry and reserve currency status of the USD.," Nash believes pressure from falling house prices will force the RBA to cut rates.

Technically the Aussie bias remains negative, however the currency is oversold and we expect a relief rally. Any rally should be capped at the .7305 resistance. On the downside, a break of 0.7036 will see the market target the next support at .6941.



Wool forwards report - SA (Southern Aurora) Markets

Another strong week for the auction market with low supply pushing merino qualities higher. Crossbreds reached record levels as processors looked to cheaper alternatives to feed their machinery.

Forward levels traded higher as exporters looked to cover some risk even with their processor clients claiming that current levels are unsustainable. Volumes were again light this week with growers committing modest volumes as the forward discounts that the market is requesting due to the lack of demand is continually offset by the tight supply. This conundrum has hampered the market through the extended rise in prices.

Forward trade levels reached new highs with 19.0 executed at 2285 for March through to 2240 for May. Pleasingly interest lifted in the spring and summer. 19.0 traded at 2125 early in the week and bidding lifted to 2150 & processors looked to shore up some inventory.

We expect to see interest at similar levels next week with continued demand in the pre Easter as exporters look to cover short term risk. For full market trades and pricing visit www.samarkets.com.au

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