



WOOL MARKET WEEKLY REPORT

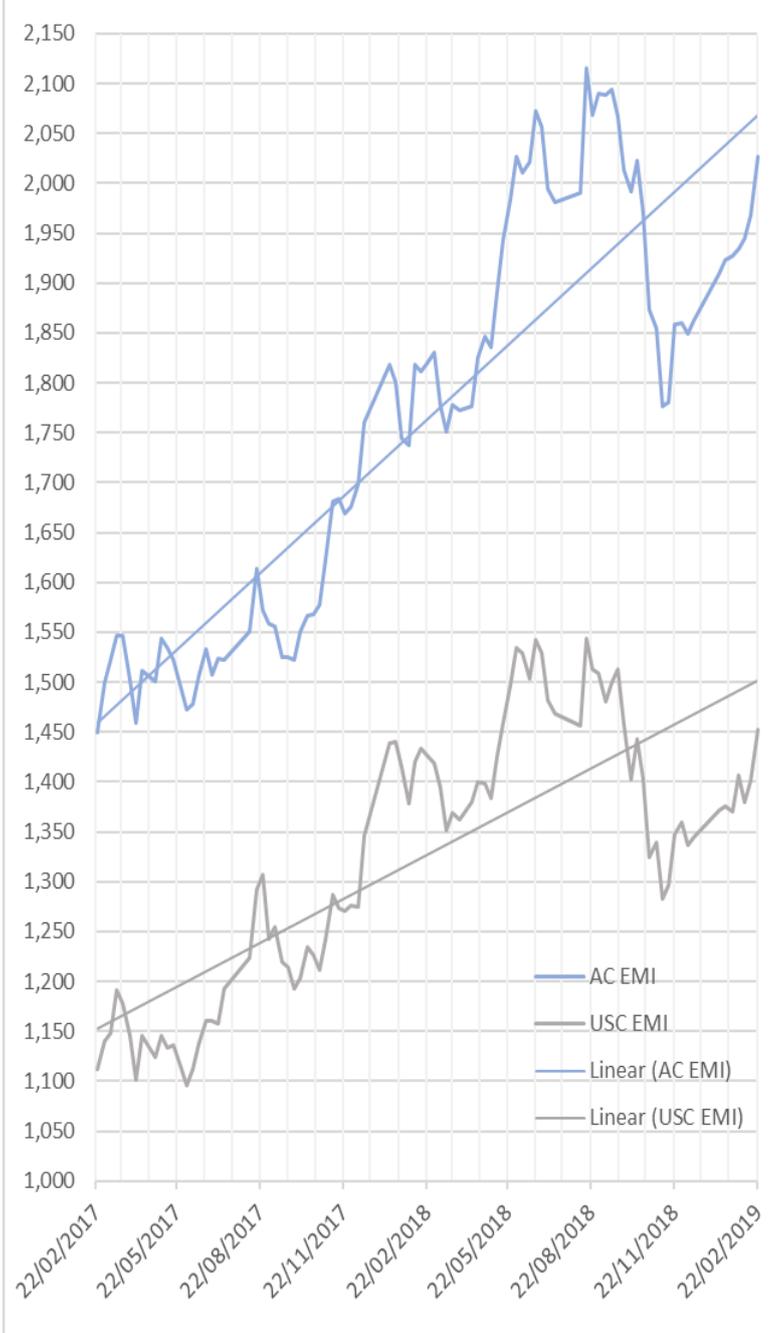
Sale Week 34: 22nd Feb 2019



Offering—Aust. only		Currency movements		
Bales offered	39,968	AUD:USD	0.7162	+ 0.60 %
Passed-In %	6.3 %	AUD:CNY	4.7952	- 0.40 %
Bales Sold	37,435	AUD:EUR	0.6310	- 0.02 %
Season Sold	969,253	RBA close Thurs 21st Feb 2019		

Eastern Market Indicator (EMI)			
AUD	2027 ac/kg	+ 59 ac/kg	+ 3.00%
USD	1452 usc/kg	+ 51 usc/kg	+ 3.62%
CNY	97.20 ¥/kg	+ 2.45 ¥/kg	+ 2.59%
EUR	12.79 €/kg	+ 0.37 €/kg	+ 2.98 %

AWEX EMI 2 year weekly closing rate as at 22nd Feb 2019



AWEX Auction Micron Price Guides.

Sales Tues 19th, Wed 20th, Thurs 21st Feb '19

MPG	Sydney	Melbourne	Fremantle
17mic	2620 +33	2549 +29	-
18mic	2533 +43	2488 +27	2397n+20
19mic	2422 +80	2384 +58	2347 +31
20mic	2390 +84	2362 +69	2326 +31
21mic	2368 +98	2344 +63	2302n+20
22mic	-	2323n +60	2279n
23mic	-	2307n	-
24mic	-	-	-
25mic	-	-	-
26mic	1414n +46	1419n +65	-
28mic	1153n +73	1145 +42	-
30mic	-	983 +55	-
32mic	-	571n +52	-
MCar	1215 +32	1168n +32	1189n+34

Scheduled Australian Wool Auction Sales

Sale week commencing	2018/19 forecast	2017/18 actual
Week 35 25/02/2019	49,738 bales	44,150 bales
Week 36 04/03/2019	38,813 bales	45,536 bales
Week 37 11/03/2019	36,460 bales	42,465 bale

Australian Wool auction sales sold to very intense Chinese interest this week and healthy gains were recorded across the entire offering. Demand for the fine (19 to 21micron) Merino and fine crossbred (26 to 28 micron) was at the forefront of buyer activity, with price levels within this area rising by upwards of 4.2% on the merino and 6.5% on the crossbreds. All other wools on offer also enjoyed some very good price hikes.

The Australian Wool Exchange (AWEX) Eastern Market Indicator (EMI) advanced 59ac for the week to 2027ac clean/kg, which is a 3% gain. In US dollars (USD) terms, the EMI performed even better and appreciated by 51usc or 3.62% to close at 1452usc clean/kg. It was a mixed foreign exchange (forex) rate week as the USD acted independent to other major currencies and was mostly weaker against the AUD. At one stage through the week the AUD v USD rate was well into the 0.72's.

The Australian wool market was influenced to some degree by the Chinese decision to place an immediate ban of imports of South African (RSA) wool into China due to a FMD (foot and mouth disease) outbreak. This weeks RSA auction was subsequently abandoned as the trade interests over there sought to negotiate a better outcome. Whilst the price gains that this weeks Australian wool growers had was welcome, it can sometimes leave a bit of a sour feeling if it is to the detriment of fellow wool growers.

Prior to the China import ban of South African wool being announced, new business was freely available at decent levels so a dearer market was widely expected anyway. The RSA ban probably just exacerbated the magnitude of the impending rises that were predicted and eventuated. As is prone to happen more often than not, the market price overshoots levels where comfortable prompt trade can be undertaken

The industry in RSA has reportedly decided to forge on next week and hold auctions again. The RSA auction will be double the normal volume to accommodate the growers that were unable to cash in this week. Here in Australia we have seen over 20% or 8,000 bales more in our national offering than what was expected just a few days ago. Of most interest (and perhaps price indication) will be to see if the Chinese manufacturers and Chinese traders participate at the RSA auction.

It was a tumultuous trading week but of quite some significance here in Australia, as the EMI surged through the 2000ac barrier once more. This the first time since the 2nd week in October 2018 that this level was breached. The first day (Tuesday) of selling in Melbourne was witness to a feat rarely seen whereby a single buyer purchased half of the merino fleece on offer. On Wednesday, AWEX reported that the Western Australian 21 and 22 micron Merino price guides hit record prices of 2363ac and 2333ac respectively and 28 and 30 micron also hit new all time highs.

The market did back off quite sharply yesterday (Thursday) in Melbourne and Fremantle. Most microns were being quoted 35ac lower in the East and in WA 50 to 60ac lower by the close, taking quite a lot of gloss of the newly established gains. The majority of the loss was due to the lower and harder to place specified lots which were up to 80ac cheaper by the close.

Next week the larger than expected offering of just under 50,000 bales will surely test the resolve of the market. Chinese interests drove the market up early, but their slowing spooked the market late in the week, so all eyes will be focussed upon the actions of the China indents for initial market direction.

Another challenging week for the wool market. The temporary embargo on South African wool exports to China caused a sharp reaction to a spot auction market that is already under short term supply pressure. The volatility that has been consistent over the last year continued with the standalone sale in Melbourne rallying strongly Tuesday with Chinese indent buyers dominating. This enabled growers who had orders in the market to fill their forward hedges. The rally held on Wednesday with all centres aligning as Sydney and Fremantle matched Melbourne levels. The market closed Thursday irregular as forward orders failed to eventuate, and the market gave back half of the earlier gains.

Forward activity was highlighted by 19.0 microns trading out almost two years to January 2021 and the continued interest in the spring and summer of 2019/2020. June 21.0 peaked at 2260 and 28.0 microns traded at 1000, a new forward high.

Forward levels next week are a little hard to predict. Buyers are expected to be a little cautious having had to absorb another round of record levels at auction. Middle merinos (20.0 and coarser) and crossbreds breached records set back in September 2018. With 50,000 bales on offer next week the ability of the market to hold at this level will be tested. Supply of good quality medium micron wool will again be limited. The impact of demand destruction, indicated by the poor first half export figures (down 20%), will be the key in the short to medium term direction of both the spot and forward markets.

For full trades and pricing please visit www.samarkets.com.au.



2019 International Woolmark Prize.

Menswear and Innovation Award winner, Edward Crutchley with Womenswear winner, husband and wife duo Colovos.

www.woolmark.com

The Australian Dollar had a chaotic week as strong employment data was trumped by China's surprise ban on Aussie Coal. In brief the Aussie opened the week steady at .7140, before rising swiftly on Thursday to a high of .7206 after the release of strong employment data only to be slammed by a 100 point drop late in the session on the China Coal news. Today, Friday the AUD is at .7092.

On Coal, Reuters reported that China had banned imports of Australian coal at the northern Chinese port of Dalian, sparking renewed concern about a growing rift between the two countries. "Dalian handles around seven million tonne per annum of Australian coal imports, and China accounts for around 23% of Australian coal exports.

Adding to the AUD woes Bill Evans the Chief Economist at Westpac, with a very strong track record said the RBA will be forced to cut rates late this year. He said "We have revised down our GDP growth forecasts for 2019 and 2020 from 2.6% to 2.2%," we now expect unemployment will rise to 5.5% by late 2019. The Aussie fell further on his announcement.

Technically the AUD remains trapped at the bottom of a volatile trading range, and the sharp fall suggests that recovery from .7054 has completed at .7206. The bias remains negative, with the AUD likely to test support at .6980.

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