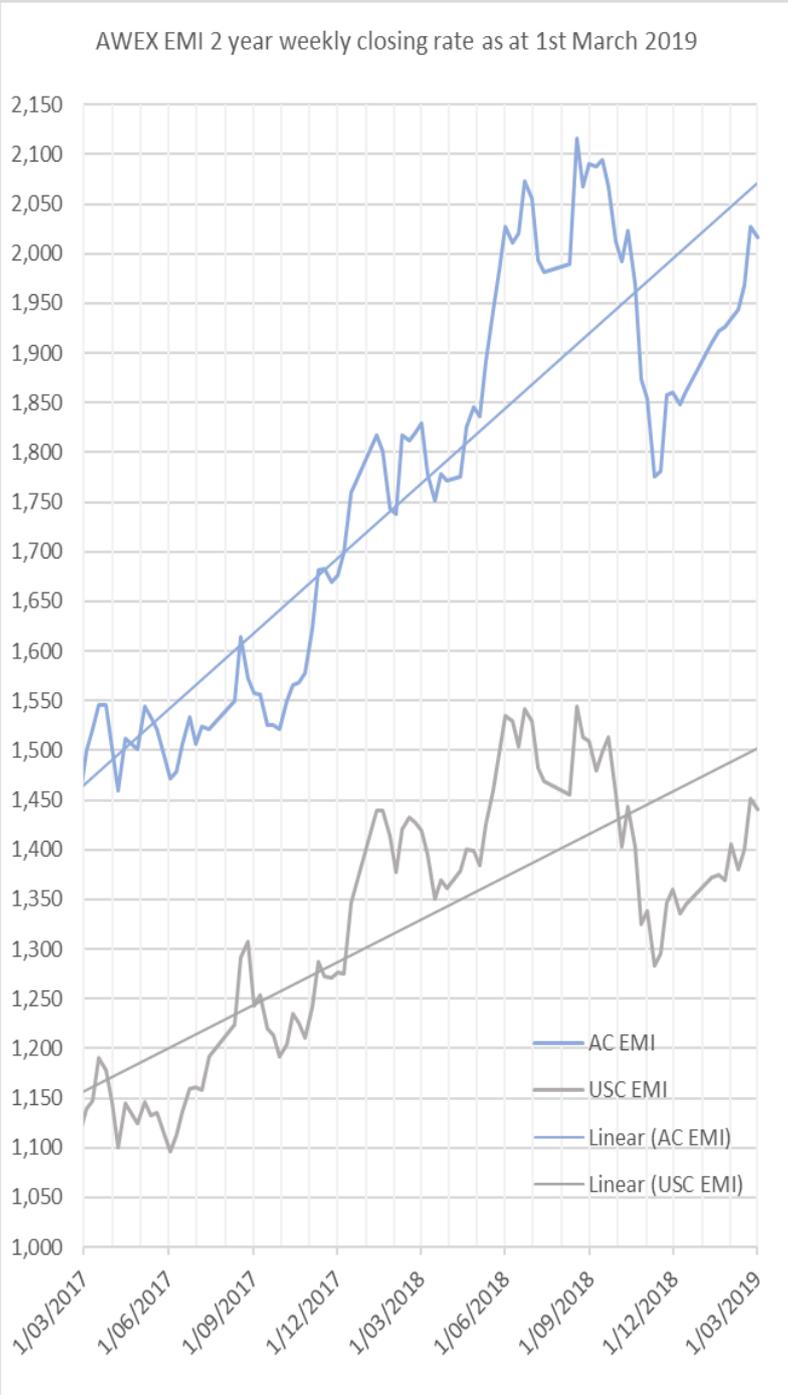




Offering—Aust. only		Currency movements		
Bales offered	48,948	AUD:USD	0.7146	-0.22 %
Passed-In %	8.4 %	AUD:CNY	4.7745	-0.43 %
Bales Sold	44,846	AUD:EUR	0.6281	-0.46 %
Season Sold	1,014,099	RBA close Thurs 28th Feb 2019		

Eastern Market Indicator (EMI)			
AUD	2016 ac/kg	- 11 ac/kg	- 0.54%
USD	1441 usc/kg	- 11 usc/kg	- 0.76%
CNY	96.25 ¥/kg	- 0.94 ¥/kg	- 0.97%
EUR	12.66 €/kg	- 0.13 €/kg	- 1.00 %



AWEX Auction Micron Price Guides.

Sales Tues 26th, Wed 27th, Thurs 28th Feb '19

MPG	Sydney	Melbourne	Fremantle
17mic	2612 -8	2524 -24	-
18mic	2525 -8	2468 -20	2406n +9
19mic	2396 -26	2374 -10	2383 +36
20mic	2357 -33	2339 -23	2347 +21
21mic	2338n -30	2333 -11	2334 +32
22mic	-	2330n +7	2295n +16
23mic	-	-	-
24mic	-	-	-
25mic	-	-	-
26mic	1436n +22	-	-
28mic	1151n -2	1133 -12	-
30mic	-	971 -12	-
32mic	-	591n +20	-
MCar	1210 -5	1176n +8	1183n -6

Scheduled Australian Wool Auction Sales

Sale week commencing	2018/19 forecast	2017/18 actual
Week 36 04/03/2019	46,128 bales	45,536 bales
Week 37 11/03/2019	38,310 bales	42,465 bales
Week 38 18/03/2019	37,430 bales	38,219 bales

AWI Commentary

Following a tardy commencement, Australian Wool auction sales gained momentum as the week progressed to close at the strongest point. The one millionth bale for the season was sold this series on Wednesday which is approximately 6 to 7 weeks later than previous seasons, indicating just how much volume has been reduced. Whilst it is never good to see some of the wool values decreasing, albeit by very small percentages, most participants reported the market as standing up strongly against expectations of a much worse fate given the general business conditions and potential negative impacts globally.

The Australian Wool Exchange (AWEX) Eastern Market Indicator (EMI) slipped 11ac or 0.54% for the week to 2016ac clean/kg. In US dollars (USD) terms, the EMI experienced a similar 11usc fall to 1441usc clean/kg. Not much movement was seen on the currency front, with minor fluctuations of 0.22% as the ruling AUD v USD foreign exchange (forex) rate weakened.

Once more pre sale sentiment was not boding well for a positive outcome for price levels. Relatively large quantities on offer here in Australia as well as South Africa selling two weeks worth of volume after the cancellation of their last auction had buyers approaching the week with caution. Confidence seemed to grow exponentially though following an initial 20 to 30ac fall on Tuesday at the standalone Melbourne sale. By the end of the selling week most wools had recovered to be selling near to the previous weeks closing quotations, with the WA market performing the best.

After some stealthy purchasing operations by trading exporters early in the week, competition was intense again by the close of selling. Australia's largest exporter led the way with Chinese indent traders and processors having to lift their levels to try and compete after that exporter showed no signs of relenting in their purchasing activity. Very impressive buying figures were recorded by that single buyer, with an estimation over a 20million dollar spend for the week and their support was given across the entire type spectrum.

The South African (RSA) industry decided to sell this week in the face of the continuing Chinese ban on RSA imports into that country. Similar to the "ban" on Australian coal imports through the Dalian port in China, the situation remains still somewhat murky. The cited reason for the RSA wool ban was due to a foot and mouth disease (FMD) outbreak. Clearer information has come through though that this occurred in Mid January and was fully notified by veterinary authorities and indeed was in an area near that is reportedly lacking in wool sheep.

The subsequent RSA sale this week did sell a touch softer but not to any large degree and some individual qualities actually gained in price. More relevant though, and a little heartening, was the much appreciated support of the largest Chinese buyer over there whom continued there buying at auction.

The Australian market was dominated this week by an excellent selection of super fine (less than 18.5mic) Merino types mainly on offer in the Sydney centre. These types sold to healthy premiums once more of 230ac for the sub 16 micron area and 160ac for 16 to 18.5 micron group. Some of the best spinners lots though were another 150ac on top of these levels, but due to the drought, not many sale lots fit into that type category. It is remarkable none the less to see such high quality wool on offer given the abhorrent climactic conditions.

Next week sees just over 46,000 bales to be offered and with the confident finish to this week, expectations are clearing that volume with ease.

Wool forwards report - SA (Southern Aurora) Markets

Another volatile week that saw the anticipated pull back in the spot market realised over the first two days followed by a consolidation in prices on the close. The result for the forwards was solid trading to begin the week then a standoff as the market looked to find a base.

Grower participation was light in the prompt months as the dislocation between the current spot auction and the export forward price continues. Growers seem comfortable with short and medium term risk (March to June) while exporters are unable to justify bidding higher when forward sales can not be executed at current spot levels. Trades were executed in April and May at 2280 for 21.0 microns setting new highs. Bidding remains at 2250 out to June presenting solid hedge levels. Processors are left having to buy hand to mouth to run machinery while not being able to pass the cost of production down the pipeline.

The balance of supply and demand is critical with export numbers continuing to fall but production numbers are falling at similar rates. This has caused the spreads between microns to tighten as processors look to fill machinery at the lowest cost.

The risk profile remains high. The most pleasing result for the week coming via solid trading levels continuing out in 2020. November and December 2020 for 19.0 traded at 2150. This equates to 85 the percentile for the last four years of data.



AUD Commentary - SA (Southern Aurora) Markets

The Australian Dollar opened Monday quietly at .7125, and slowly rose over the following two days on some better domestic news reaching .7198, before dropping more than 100 points on Thursday to the weeks low of .7088, before lifting a little today (Friday) to .7098. Earlier in the week data showed Australia's Manufacturing sector was expanding as the Index lifted to 54 in Feb, up from 52 in January, meanwhile Australian Private Capital Expenditure also lifted 2.0% in the 4th Qtr 2018 against 1% expectations. On Thursday however offshore events took over, with disappointment at the outcomes in both the U.S and China Trade and the summit between the U.S and Nth Korean weighing on the Aussie, but it was release of China's official Manufacturing PMI data which started the fall, as figures showed the fastest fall in nearly three years, and that was followed later by the release of stronger-than-expected US GDP numbers which saw a sharp lift in the USD and a tumble in the AUD.

"The Q4 Qtr GDP outcome of 2.6% against the expected 2.2% growth couldn't be ignored," said Ray Attrill, Head of FX Strategy at the National Australia Bank.

Technically the Aussie remains range bound within the .7050 to .7206 levels, but with a negative bias. A break of 0.7050 support should target the next key support at .6950. We expect a small corrective rally, but believe lower levels are ahead for the Australian Dollar.

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