



# WOOL MARKET WEEKLY REPORT

Sale Week 37: 15th Mar 2019



Offering—Aust. only		Currency movements		
Bales offered	40,785	AUD:USD	0.7059	+ 0.14 %
Passed-In %	12.5 %	AUD:CNY	4.7374	+ 0.16 %
Bales Sold	35,682	AUD:EUR	0.6237	+ 0.02 %
Season Sold	1,090,951	RBA close rates 14th Mar 2019		

Eastern Market Indicator (EMI)			
AUD	<b>1979 ac/kg</b>	<b>- 29 ac/kg</b>	<b>- 1.44%</b>
USD	1397 usc/kg	- 18 usc/kg	- 1.30%
CNY	93.75 ¥/kg	- 1.22 ¥/kg	- 1.29%
EUR	12.34 €/kg	- 0.18 €/kg	- 1.43 %

AWEX EMI weekly closing rate as at 15th March 2019



AWEX Auction Micron Price Guides.

Sales Wed 13th & Thurs 14th March 2019

MPG	Sydney	Melbourne	Fremantle
17mic	2560 <b>-48</b>	2445 <b>-61</b>	-
18mic	2472 <b>-48</b>	2375 <b>-53</b>	2347n <b>-28</b>
19mic	2340 <b>-41</b>	2326 <b>-39</b>	2300 <b>-45</b>
20mic	2309 <b>-31</b>	2292 <b>-38</b>	2282 <b>-22</b>
21mic	2291n <b>-30</b>	2277 <b>-18</b>	2267n <b>-27</b>
22mic	-	2285n <b>-18</b>	-
23mic	-	-	-
24mic	-	-	-
25mic	-	-	-
26mic	1411n <b>-40</b>	-	-
28mic	-	1141 <b>-24</b>	-
30mic	-	921 <b>-24</b>	-
32mic	-	994n <b>-7</b>	-
MCar	1238 <b>+1</b>	1184n <b>-8</b>	1184n <b>-45</b>

Scheduled Australian Wool Auction Sales

Sale week commencing	2018/19 forecast	2017/18 actual
Week 38 18/03/2019	44,137 bales	38,219 bales
Week 39 25/03/2019	37,340 bales	44,841 bales
Week 40 01/04/2019	37,186 bales	RECESS

## AWI Commentary

Australian Wool auction sale results were again to the negative this week. The declining overall quality of wools available, soft enquiry and a slightly stronger Australian dollar (AUD) against the US dollar (USD) and the Chinese Yuan (CNY) were nominated as factors, but the much cheaper South African (RSA) wool auction market was the primary cause. All wool types and descriptions were effected to varying degrees which saw the Australian Wool Exchange (AWEX) Eastern Market Indicator (EMI) fall 29ac or 1.44% to **1979ac clean/kg**. In USD terms, the EMI gave up 18usc or 1.30% to close at **1397usc clean/kg**.

Australian wool values were unfortunately affected this week by the very weak market that arose out of South Africa (RSA) on Wednesday. Whether we like it or not, wool is traded into, and under a generally free global market and the Port Elizabeth auction saw the Cape Wools Merino Indicator decrease by 3.3%. While traditional Chinese buyers were operating in RSA in the hope the ban would be lifted soon, the purchasing numbers appear to show that that support was wearing thin and waning. The situation surrounding the import ban of RSA wool into China ultimately has proved detrimental to global wool pricing in the short term.

The reality of the ongoing ban on RSA wool entering China means a huge amount of buyer/exporter finances are being tied up with wool that cannot be pulled through the supply chain and be paid for. The initial concerns surrounded RSA growers unable to sell their clips but the major effect was, and continues to be, buyer and exporter finance. There are plenty of FCL's (full container loads of between 108 and 140 bales each) of RSA wools either delivered into CMP (Chinese main port), on the water to China, or being packed and bales bought and in brokers stores remaining in the buyers inventory with no payment forthcoming.

The longer the ban continues the worse it will get. These buyers will now have to liquidate these wools into other markets and now at prices much lower than what they paid, if they hadn't already managed to re assign these deliveries. Obviously this has, and will continue to effect the spot auction results in the immediate term.

RSA is now very reliant on wool exports to China, with 70.6% of the RSA clip estimated to be going there (very similar to Australia). China is a relatively new participant in the RSA market with less than a decade of dominant buying activity. The production in South Africa is equivalent to around 14% of what Australia produces, with 360 mkg here and 50mkg ex RSA. (2017/18 full season data). Of those weights, around 63% of the RSA clip is white Merino quality (micron) compared to the 81% of the Australian clip being Merino.

Australian wool values were nonetheless less affected than RSA, but the negative sentiment did permeate through to our auction rooms, particularly on Thursday. Merino fleece finer than 19 micron was most affected and losses of 40 to 50ac occurred. This was made up of 15ac loss on the better wools, whilst average and inferior lots were hammered throughout and depreciated by 70 to 80ac. The 19 to 22 micron area received far better support but still was 15 to 25ac lower. Skirtings and crossbred types fell away similarly whilst cardings were the only descriptions to hold onto somewhere near their established levels.

Next week has over 44,000 bales rostered to sell and fresh orders are required to invigorate some life into the market. The lower quality wool types and descriptions remain dominant in offered volume and are getting harder to place into exporter orders, but this week did see some stronger interest from the top makers as the gaps widen between the better and average lots.

## Wool forwards report - SA (Southern Aurora) Markets

Expectations of a lower spot auction came to pass as the market drifted down for the third consecutive week. Demand has waned as top makers continue for be unable to pass the current price structure down the pipeline. The forward market levels remained relatively stable out into spring with trading levels only slightly off. 19.0 microns traded 2225 and 21.0 microns traded September at 2130 and October at 2115. These prices represent the 80th percentile for the last 4 years giving growers a solid base into the new season and delivering some confidence for the processors. Exporters also are disinclined to sell the current market short at discount levels that processors demand without any cover.

The opportunity is ripe for growers for be price makers not price takers. Levels need to be set with short, medium and long term goals based around production costs, margin management and historical price structures. We anticipate the market will continue to drift but look to find a level. Retraction during this last part of this upward cycle have been in the order of 100 to 150 cents before finding a new base. The market in the fine and medium merinos has risen 200 cents since the new year and given up 40 percent of that rally to date. Chartists have the spot market losing a further 40 cents before looking for relief.

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## AUD Commentary - SA (Southern Aurora) Markets

After the deluge of negative data on the Australian economy last week, we saw a firmer move this week, albeit erratically in a smaller trading range, as the AUD opened Monday on the weeks low of .7024, before moving higher mid-week to .7096 then falling Thursday and today Friday edging higher at .7065.

The fall late in the week came after Bloomberg reported the Trump-Xi trade meeting will be delayed as U.S. President Donald Trump said that he wants "a comprehensive trade deal" with China. During the week China released it's Industrial Production data which showed growth slowing to an annual 5.3 percent in the first two months of 2019 at the slowest pace in 17 years.

During the week also the Westpac-Australian Market Sentiment Index slumped 4.8% to 98.8 the lowest level since September 2017, suggesting household and business expectations have worsened.

Technically the Australian Dollar remains trapped at the bottom of its trading range, moving sideways within a trading channel. The bias remains negative, and again we expect a rally before falling back re-test major support. The rally could extend to .7310, while a break below .7000 would likely see a swift fall the next fall to the next support now at .6945.

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