

# WOOL MARKET WEEKLY REPORT

Sale Week 44: 3rd May 2019



Offering—Aust. only		Currency movements		
Bales offered	43,053	AUD:USD	0.7020	-2.50 %
Passed-In %	6.4 %	AUD:CNY	4.7279	-1.81 %
Bales Sold	40,290	AUD:EUR	0.6265	-1.57 %
Season Sold	1,269,383	RBA close rates 2nd May 2019		

Eastern Market Indicator (EMI)			
AUD	1960 ac/kg	+ 17 ac/kg	+ 0.87%
USD	1376 usc/kg	- 23 usc/kg	- 1.65%
CNY	92.67 ¥/kg	- 0.98 ¥/kg	- 1.05%
EUR	12.28 €/kg	- 0.09 €/kg	- 0.71%

AWEX EMI weekly closing rate as at 3rd May 2019



## AWEX Auction Micron Price Guides.

### Sales held Wed 1st & Thurs 2nd May 2019

MPG	Sydney	Melbourne	Fremantle
17mic	2493 +10	2390 +32	-
18mic	2425 +21	2375 +20	2333n+32
19mic	2304 +13	2306 +15	2304 +33
20mic	2278 +14	2271 +16	2264 +18
21mic	2265n +1	2260 +22	2249 +19
22mic	-	2240n +20	-
23mic	-	-	-
24mic	-	-	-
25mic	-	-	-
26mic	1515n +65	1511n +10	-
28mic	1303n +59	1308 +42	-
30mic	-	1005n +29	-
32mic	-	659n =	-
MCar	1094 +10	1082n +10	1119n+25

### Scheduled Australian Wool Auction Sales

Sale week commencing	2018/19 forecast	2017/18 actual
Week 45 06/05/2019	33,464 bales	37,842 bales
Week 46 13/05/2019	34,445 bales	36,398 bales
Week 47 20/05/2019	30,719 bales	30,053 bales

## AWI Commentary

Australian wool auctions resumed this week with positive price gains across the entire offering. All types and descriptions ended the week at higher levels, despite the general absence of the largest of the Chinese indent buyers. The AWEX Eastern Market Indicator (EMI) gained 17ac or 0.87% to close at 1960ac clean/kg. The EMI when expressed in USD was conversely much weaker to record a level at the conclusion of the weeks selling of 1376usc clean/kg, which was 23usc or 1.65% lower.

Whilst the local prices in Australian dollar terms were all appreciating, the more favourable AUD (Australian dollar) versus USD (US dollar) forex (foreign exchange) rates had trade expectations of much stronger levels than what eventuated. That primary rate used in wool trading peaked at levels 2.5% lower than those before the pre-Easter recess. The 0.9% gain on the main indicator was most welcome but in reality the market was underperforming in light of the currency advantage.

This week's purchasing activity was dominated by top makers and the locally based trader/exporters. Even on an unchanged demand basis, the weaker forex had buyers pre-sale thinking of at least a 50ac gain in the market. In the Merino sector though, the two largest Chinese indent operators were highly noticeable by their lack of purchasing intent. This lack of competition enabled other operators to buy-in at levels beneath their initial thoughts. This may prove to be an opportune move as the Fremantle market surged late on Thursday and finished the week strongly at the highest price points of the sale week.

In contrast to the pre Easter sale, which had widespread buyer support and positive sentiment, this week was a somewhat sporadic and hit and miss affair. Most of the trade was a little bemused with the inactivity from quite a few of the larger buyers as business pre sale was described as being at or near-to market levels. As the week's sales progressed it became clear that tight trading conditions were in play with just price sensitive overseas interest being offered. This sensitivity has arisen more-so from their thoughts and predictions of a AUD lowering again against the USD as many reports of a lower RBA interest rate next week flowed from bank economists.

Supply data became available earlier in the week with the release of the AWTA key test data from April. The figures (see below) more or less matched exporter and trade modelling numbers so no market reaction stemmed from the release.

Merino fleece and skirtings this week firmed by 30ac and crossbreds jumped 40 to 60ac which may have some woolgrowers searching for fadges in woolsheds to sell. Cardings turned to the positive after weeks of falling prices to be 10 to 15ac dearer.

Next week has 33,500 bales scheduled for auction. In fact the next three weeks sees a forecast showing an average of under 33,000 bales being available per week.

## AWTA Key Test Data for April 2019

- The monthly comparisons of total weight for April 2019 compared with April last year show 10.4% less wool tested for the month.
- The progressive comparison for July 2018 to April 2019 compared with the same period last season reveal a total of 10.3% less weight of wool tested.
- AWTA Ltd has tested 277.35 mkg (million kilograms) this season compared with 309.4 mkg for the equivalent period last season.

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

The forward markets opened after the Easter Recess bid well on the back of a weaker AUD. This confidence translated into a stronger auction market in AUD terms (+17) but down in USD terms (-22). Most evident in the spot market was the lack of participation of the usually dominant Chinese indent buyers. Demand is still sluggish and medium term off shore confidence is low. This is leading to the spring still being discounted and nearby months flat to cash.

Grower selling is only sporadic with the ongoing drought and production concerns clouding forward strategy decision making. 21.0 traded for June at 2250 near cash (2260) and October at 2125. This spring discount still places the price in the 80th percentile range of the last four years and reflects the current long-term view of the processors.

We expect forward levels to remain solid with trading volumes again light. Sellers remain focused on the discount to cash rather than the outright level. Buyers are unable to commit to levels that the processors and consumers are still finding unpalatable. Evaluation of fair value remains difficult with the low drought induced supply balance the demand destruction that is inevitable with continued high prices. Increased forward flows will only come when both sides of the market value certainty above the fear of lost opportunity.



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**If you are an AWI shareholder or wool levy payer but don't know your Reference Number, contact AWI on [help@wool.com](mailto:help@wool.com) or free call 1800 070 099.**

## AUD Commentary - SA (Southern Aurora) Markets

The Australian Dollar came under selling pressure this week as the market scaled back its expectations of a U.S Federal Reserve rate cut this year. The Aussie opened Monday trading quietly around .7060 before edging higher Tuesday to .7070 then falling quite sharply Thursday on US Federal Reserve Chair Jerome Powell's comments suggesting there was no pressure for an imminent rate cut to an overnight low of .6995, then firming a fraction Friday morning to .6998. On the back of the Feds comments the benchmark 10-year US bond yield rose 6 basis points to 2.56%. Richard Grace, Chief Currency Strategist at the Commonwealth Bank said that further risks to the downside are building. "The technical close below 0.7000 is a bearish signal, and opens up the door for further mild depreciation," while ANZ economist Kishti Sen said, "With Australian Dollar now sitting on critical Chart support, any disappointment in local economic data will see the AUD treated harshly,".

Technically the AUD has dropped to the bottom of a large sideways trading pattern, and a small relief rally to resistance at .7080 then .7295 is possible, however the retest of key support suggests a break to the downside is more likely with first support at .6960 then .6910.

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