**Offering—Aust. only**

<table>
<thead>
<tr>
<th></th>
<th>2019/20 forecast</th>
<th>2018/19 actual</th>
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<tbody>
<tr>
<td>Week 15</td>
<td>34,174 bales</td>
<td>32,072 bales</td>
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<tr>
<td>07/10/2019</td>
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<tr>
<td>Week 16</td>
<td>35,685 bales</td>
<td>36,084 bales</td>
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<tr>
<td>14/10/2019</td>
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<td>Week 17</td>
<td>33,086 bales</td>
<td>33,371 bales</td>
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<td>21/10/2019</td>
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**AWI Commentary**

The rapid gains of the past three weeks at the Australian wool auctions came to an abrupt halt this week. Prices were crushed across the majority of the offering, with only the carding sector remaining unscathed. It would appear that the prompt demands of machinery for greasy wool have been minimally met for the immediate term.

The Australian Wool Exchange (AWEX) Eastern Market Indicator (EMI) plunged 98ac or 6.1% this week to close at 1511ac clean/kg. In US Dollar (USD) terms the USD EMI losses were similar and 6.6% or 71usc was eliminated and that indicator closed at the 1015usc clean/kg level. Once again the forex movement assisted buyers using USD, as the rate went 0.5% to their favour.

Caution again reigns supreme, as the majority of the trade awaits the first retail garment data releases from the northern hemisphere Autumn sales. These will be out mid month and will highly likely determine the trajectory the wool market trends to for the next few months.

Both the Chinese domestic and European consumer spending environment is key to the fortunes of upcoming wool to be sold. Focus will be upon the Chinese data, as that country is now estimated to use around 45% of all wool product sold annually. The past ten years has seen that nation and the Australian wool industry incredibly intertwined, given not only the consumer consumption of the PRC, but also the provision of the processing capability of the Merino fleece dropped a general 120 to 140ac this week. All types and descriptions were similarly affected. Skirtings and crossed wools were 50 to 80ac cheaper whilst cardings sold to a largely unchanged basis, which is quite strange as that sector has been reported as being the weakest in demand, yet performed the strongest of any sector this week.

Passed in rates reached extreme levels on Thursday as almost 60% pressure did see a slight price lift towards the end of selling as that sector has been reported as being the weakest in demand, yet performed the strongest of any sector this week.

Merino fleece offered a general 120 to 140ac this week. All types and descriptions were similarly affected. Skirtings and crossed wools were 50 to 80ac cheaper whilst cardings sold to a largely unchanged basis, which is quite strange as that sector has been reported as being the weakest in demand, yet performed the strongest of any sector this week.

Passed in rates reached extreme levels on Thursday as almost 60% of the Merino fleece offering failed to meet grower reserves. This pressure did see a slight price lift towards the end of selling as buyers scrambled to fill prompt needs. On top of the high passed rates, 4,000 bales or 11% was withdrawn prior to sale. 34,000 bales is being offered next week.

**AWTA Key test data - September 2019**

- The monthly comparisons of total weight for September 2019 compared with the same period last season shows a drop of 14.2% less weight for the month tested.
- The progressive comparison of total weight tested for the current season for July 2019 to September 2019 compared to the same period last season reveals 14.1% less weight tested.
- AWTA Ltd has tested 62.4 mkg (million kilograms) this season compared with 72.6 mkg for the equivalent period last season.

**Forwards Commentary—Southern Aurora (SA) Markets**

The forward markets struggled to find their bearings as the spot auction continued its crazy rollercoaster ride. By any measure the market is becoming more difficult to predict. Volatility continues to run over 40% on the two key merino indices (19 and 21.0). The risk in the market highlighted by the fact that in the last decade the Eastern Market Indicator (EMI) has only shifted by more than 50 cents in a single day on 19 occasions. Nine have occurred this year, seven in the last two months. There have been only two occasions where the EMI has moved more than 100 cents in a single day both occurred in the last six weeks.

This type of movement makes it impossible to manage margins if relying solely on a single day spot price strategy.

Unfortunately, the current saw tooth nature of the spot market makes setting fair price targets difficult for both buyer and seller. The average daily movement this 2019/20 season is 38 cents or 2.4%.

Volumes on the forwards this week have reflected this difficulty. The only trades prior to the auction opening were significantly under cash. (21.0 October at 1680 and 28.0 November at 920). The auction market closed for the week very close to these levels. 21.0 micron lost 133 cents to close at 1685 and 28.0 micron 70 cents closing at 922.

Offshore interest will dictate whether we find support next week. Key technical support is around these new levels so hopefully buying interest will return and new forward levels will be established enabling growers and exporters alike to mitigate some risk.

**AUD Commentary—Southern Aurora (SA) Markets**

It appeared to be a pivotal week for global markets as data releases out of the U.S, Europe, Asia and Australia all underscored the slowdown in growth. On Thursday weaker than expected U.S. Data also saw traders firm on the view that its 98% likely the U.S Federal Reserve would cut Interest rates this month by 25 basis points to 1.75-2.00%. Adding to that, the World Trade Organisation authorised the US to impose punitive tariffs on $US7.5 billion worth of EU products, including aircraft, wine, spirits and cheese for the subsidies given to Airbus.

In Australia the Aussie Dollar had a volatile week, opening on a Monday high at .6775, then falling to mid-week of .6670 before rallying back Thursday night to at .6752, and is trading today, Friday at .6745. This week the RBA cut Australia’s Official Cash Rate by 0.25% to 0.75%.Traders believe there are clearly more rate cuts ahead as Dr Lowe said “global risks are now clearly to the downside”. Technically the Aussie Dollar bias remains to the downside, with key support at .6670 and overhead resistance at .6784. Each sell-off over the last three weeks however has met with firm buying, as we head into October the Aussie is wedged around .6700, and a long way down from January’s .8100 cents. SA markets believe the Aussie will break lower over the next few weeks.