



WOOL MARKET WEEKLY REPORT

Sale Week 07: 16th Aug 2019



Offering—Aust. only		Currency movements			Eastern Market Indicator (EMI)			
Bales offered	41,543	AUD:USD	0.6783	+ 0.12 %	AUD	1513 ac/kg	- 163ac/kg	- 9.73%
Passed-In %	28.6 %	AUD:CNY	4.7667	- 0.14 %	USD	1026 usc/kg	- 109 usc/kg	- 9.62%
Bales Sold	23,993	AUD:EUR	0.6084	+ 0.70 %	CNY	72.12 ¥/kg	- 7.89 ¥/kg	- 9.86%
Season Sold	114,305	RBA close rates 15th Aug 2019			EUR	9.21 €/kg	- 0.92 €/kg	- 9.10%

AWEX EMI weekly closing rate as at 16th Aug 2019



AWEX Auction Micron Price Guides.

Sales held Wed 14th & Thurs 15th August 2019

MPG	Sydney	Melbourne	Fremantle
17mic	2000 -117	1973n-138	-
18mic	1932 -143	1923 -117	1717n -160
19mic	1766 -157	1753 -167	1670n -194
20mic	1711 -198	1698 -211	1648n -212
21mic	1695n-205	1694 -204	1648n -210
22mic	-	1693 -211	-
23mic	-	-	-
24mic	-	-	-
25mic	-	-	-
26mic	1150n-170	-	-
28mic	1835n-165	830 -164	-
30mic	-	659n -134	-
32mic	-	-	-
MCar	993 -47	1020n -28	1044n-12

Scheduled Australian Wool Auction Sales

Sale week commencing	2019/20 forecast	2018/19 actual
Week 08 19/08/2019	33,696 bales	29,691 bales
Week 09 26/08/2019	34,705 bales	35,988 bales
Week 10 02/09/2019	37,465 bales	38,037 bales

AWI Commentary

Australian wool auction sales went into freefall this week with almost 10% of the value wiped off the wool offering, both in AUD and USD. A total lack of confidence, brought on by the slowing global economy, saw the majority of buyers desert the local auction markets. No sector was left untouched as prices plummeted from the outset. Quite incredibly it was this same sale last year that the Australian wool market hit the record EMI of 2116ac.

The Australian Wool Exchange (AWEX) Eastern Market Indicator (EMI) lost 163ac or 9.7% to 1513ac clean/kg. In US Dollar (USD) terms the results were of similar magnitude by lowering 9.6% or 109usc to 1026usc clean/kg. AWEX have reported this week's fall of the EMI was the largest weekly fall since 2003 in the AUD.

In AUD terms, the EMI last traded around the 1513ac level at the end of September 2017(1522ac). The AUD EMI has traded above the 1513ac mark for 23 of the past 30 months (77% of the time) since March 2017. The EMI has averaged 1783ac during that 2.5 year period. Prior to that, the 2.5 year average (August 2015 to Feb 2017) EMI was 1222ac. The 5-year average AUD EMI is 1496ac or 17ac below today.

In USD terms the decaying demand is more starkly evident. The current USD EMI of 1026usc last traded around that number in January 2017 (1032usc). The USD EMI has been above today's number for 32 months of the past 3 years,(89%) which has seen that indicator average 1265usc during that period. Prior to that, the 2-year average was 913usc. The 5 year average USD EMI is 1126usc or 100usc above today.

Once again the pre-sale sentiment was massively negative. Exporter buyers reported intent "to buy" from overseas was impossible, with even a low bid/offer lacking almost entirely. Just minimal carbonizing orders were still available but at reduced rates and the odd European types were needed, but overall demand for the standard China types was practically nil.

The Sino-US trade imbalance dispute and to a lesser degree Brexit have been the dampeners on the mood of the global economy, but this week saw the emergence of recession in the US talk as the inverted bonds yield issue came to the fore. Consumer and manufacturer confidence continues to take a hammering and most have taken flight to safety and are sitting on their hands (and money).

The auction scene saw the superfine Merino (finer than 18.5mic) fleece types dip by 150ac whilst the broader Merino fell by up to 200ac. Skirtings were also 150 to 200ac cheaper as were the cross-breeds. Cardings were the least affected and dropped 30ac for the week. The tone of sale rooms was dreadful, with just three or four companies participating within the type categories. The two largest top makers plus two traders were picking off the majority of the sold lots but significantly 35.8% was passed in and 16.7% was withdrawn prior to sale, representing over half of the original scheduled volume failing to meet the price expectations of the sellers.

Next week sees 33,696 bales in just Melb and Syd go to auction.

Wool forwards report - SA (Southern Aurora) Markets

The forward market could provide no solace for either buyer nor seller this week. The rate of decline in the spot market has left sellers out of range and buyers unable to establish an off shore basis. This week's market fall is the largest since the cessation of the floor price in 1991. Volatility has reached new highs creating a difficult environment for all along the chain. From a technical view the market has taken out the second support level of 2010 for 19 microns and 1900 for 21.0 micron. The next technical level is 1735 for 19.0 and 1620 for 21.0 micron. The indices closed at 1760 and 1695 respectively on Thurs.

Next week's levels will again rely on the off shore reaction to this week's decline. Modest sales reported and hopefully rate of decline will ease and a base can be formed. Early indications were there into the close of auctions Thursday with crossbreeds and cardings steady and a little better tone in the merinos. Unfortunately, that optimism has not translated into the forward markets with no bidding activity evident.

With no forward index trades recorded this week it is difficult to speculate on levels that could spark exporter and processor interest. Risk factors are high both within the wool landscape and the general global commodity environment. This would suggest that the levels will be conservative until some positive news filters through. Spring/Summer levels are unlikely to be above 1700 for 19.0 and 1600 for 21.0 micron in the short term.

AUD Commentary - SA (Southern Aurora) Markets

It was volatile week in global markets, and for the Australian Dollar also which outperformed most currencies (all the G10), bouncing within a narrow trade band, hitting a high of .6818 and a low of .6735, while today (Friday) it's trading quietly at .6776. The release of Australia's employment report during the week stunned most economists, as 41,100 jobs were added in June, almost three times what economists expected, and 34,500 were full-time.

CommSec chief economist Craig James said employment increased for the 33rd time in the past 34 months, highlighting the strength of the jobs market. Despite this the rate remained unchanged at 5.2%. Global Equities had a wild week, with the Dow down 800 points yesterday, and bouncing up a 100 today, and in better news U.S Retail Sales surprised, rising 0.7% for July, while Walmart shares jumped 6.1% overnight after the supermarket beat sales expectations.

Against that backdrop US 30-year bonds edged down to a record low of below 2%. Despite the strong numbers from Australia on employment and trade most Economists believe the RBA will cut official rates another 0.25% this year, most likely in December.

CBA Economist Kym Mundy says they expect the RBA to cut the cash rate two more times to a record low 0.50% and favour the November 2019 and February 2020. Technically the Australian Dollar looks vulnerable to a further fall, but this week has managed to bounce back from each attempted sell-off, and is likely to consolidate for a while before the next move. For the moment immediate support is seen at .6735 and resistance at .6820

Australian Wool Production Forecasting Committee (AWPFC) for August 2019

- The Australian Wool Production Forecasting Committee's second forecast of shorn wool production in 2019/20 is 285 mkg greasy. This is a 5% decline on 2018/19 and is due to lower sheep shorn numbers.
- The Committee estimates that Australian shorn wool production for 2018/19 was 300 mkg greasy. This is a 12.1% decline from the levels in 2017/18 and reflects the sustained dry and drought conditions across large parts of the country, particularly in eastern Australia.

Australian Wool Innovation Limited and its employees, officers and contractors and any contributor to this material ("us" or "we") have used reasonable efforts to ensure that the information contained in this material is correct and current at the time of its publication, it is your responsibility to confirm its accuracy, reliability, suitability, currency and completeness for use for your purposes. To the extent permitted by law, we exclude all conditions, warranties, guarantees, terms and obligations expressed, implied or imposed by law or otherwise relating to the information contained in this material or your use of it and will have no liability to you, however arising and under any cause of action or theory of liability, in respect of any loss or damage (including indirect, special or consequential loss or damage, loss of profit or loss of business opportunity), arising out of or in connection with this material or your use of it. © Australian Wool Innovation Limited All rights reserved. This work is copyright. Except as permitted under Copyright Law no part of this publication may be reproduced by any process, electronic or otherwise, without the specific written permission of the copyright owner. Neither may information be stored electronically in any form whatsoever without such permission.