

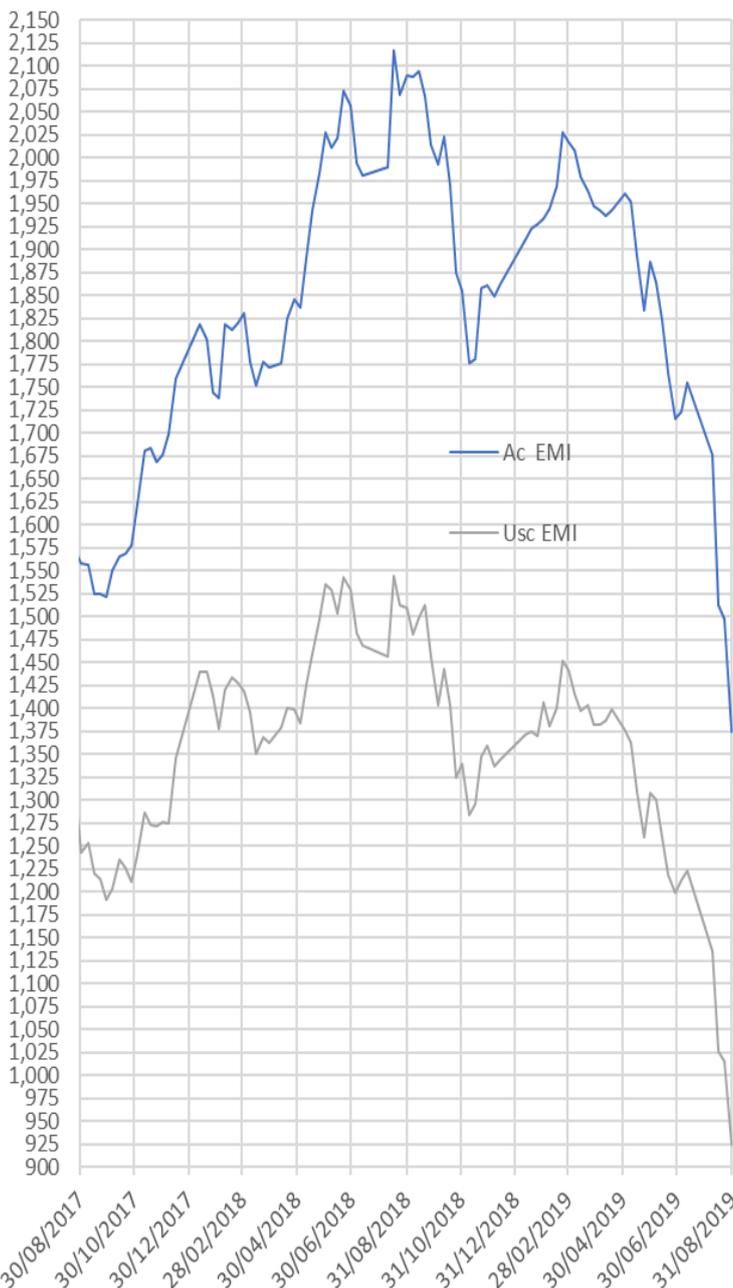
WOOL MARKET WEEKLY REPORT

Sale Week 09: 30th Aug 2019



Offering—Aust. only		Currency movements			Eastern Market Indicator (EMI)			
Bales offered	25,295	AUD:USD	0.6722	-0.87 %	AUD	1375 ac/kg	-122 ac/kg	-8.15 %
Passed-In %	33.4 %	AUD:CNY	4.8175	+0.68 %	USD	1015 usc/kg	-91 usc/kg	-8.95 %
Bales Sold	16,855	AUD:EUR	0.6065	-0.75 %	CNY	66.24 ¥/kg	-5.39 ¥/kg	-7.52 %
Season Sold	152,426	RBA close rates 29th Aug 2019			EUR	8.34 €/kg	-0.81 €/kg	-8.84 %

AWEX EMI weekly closing rate as at 30th Aug 2019



AWEX Auction Micron Price Guides.

Sales held Wed 28th & Thurs 29th August 2019

MPG	Sydney	Melbourne	Fremantle
17mic	1845 -107	1819 -104	-
18mic	1795 -93	1754 -106	1603n -114
19mic	1593 -135	1611 -123	1549n -121
20mic	1515 -168	1504 -177	1477n -171
21mic	1499n -168	1503 -172	1473n -175
22mic	-	1486n -189	-
23mic	-	-	-
24mic	-	-	-
25mic	-	-	-
26mic	-	1133n -15	-
28mic	843n -27	846 -15	-
30mic	703n -7	698n -3	-
32mic	-	464n -5	-
MCar	806n -89	795n -135	843n -201

Scheduled Australian Wool Auction Sales

Sale week commencing	2019/20 forecast	2018/19 actual
Week 10 02/09/2019	29,061 bales	38,037 bales
Week 11 09/09/2019	32,641 bales	34,064 bales
Week 12 16/09/2019	35,215 bales	35,211 bales

The slowing of the price decline and the more hopeful tone witnessed last week at the Australian wool auctions dissipated entirely this week. Heavy falls were the again dominating sale results. All wool types and descriptions, except the crossbred sector, experienced abnormally large losses, with the fine and medium (18.5 to 22 micron) Merino being most effected.

The Australian Wool Exchange (AWEX) Eastern Market Indicator (EMI) lost 122ac or 8.1% to fall to 1375ac clean/kg, which is the lowest level traded since December 2016. In US Dollar (USD) terms the USD EMI dropped value by 91usc or 8.9% forcing that indicator down to 924usc clean/kg. In USD terms, trade was last seen at this range of pricing in March 2016.

As prices fell this week it was perhaps inevitable that passed in rates would increase as they eventually did. Pre sale withdrawals also featured as sellers showed resistance to the prices on offer. Around 20.7% or 6,600 bales of the original rostered Australian quantity was withdrawn and subsequently 33.4% or 8,440 bales was passed in. In total 47.2% or just over 15,000 bales of the scheduled volume for the week has not flowed through the supply chain.

Not surprising, the pre-sale sentiment was abysmal this week. Unanimous thoughts centred around the degradation of sentiment caused by the continuing variety of negative factors effecting the global economy in general and not specific to wool. Purchasing confidence had been eliminated with the talks on renewed tariff rises, the Brexit shambles and inverted bond yields potentially causing harm to intended spending by consumers.

All the above issues are definite causative factors, but perhaps the most telling and repeated commentary coming out of all trade sectors is that no-one can really place firm reasoning on why the wool market has reacted so sharply. For perhaps six months, the trade was already operating to the reduced demand that had been evidenced as far back as the last quarter of last year. A reduced price was largely factored in as likely, but the magnitude of what has occurred over the past three weeks is completely out of the thinking or predictions of nearly all, if not all.

Reduced demand from the Chinese consumer is now being looked at as perhaps a reason that could help understand the falls. As 75% of the Australian wool clip flows into China for manufacturing, the past few years has seen demand drive up the domestic consumption within China to see 60% of that volume remaining in that country for sale. Just 10 years or so ago, almost 100% of the same 75% of Australian was manufactured in China but re-exported for sale in mainly the Northern hemisphere markets.

Recent Chinese retail data is generally hard to come by in normal circumstances, but since the trade imbalance dispute between the US and China commenced, that data has become scarcer. Bearing in mind that the majority of the 400ac devaluation of wool has occurred in just two months, some factor of significance has prompted such a negative result.

Following weeks of the South African auctions being cancelled, the industry over there has decided to resume their wool sales next week. Their has been no change to the health certificates requirements for delivery to China, but the RSA industry decision means growers can get paid if they decide to sell. With their last auction held almost 3 months ago, price shock may be the order of the day for sellers in that nation.

29,000 bales is rostered to sell in Australia next week.

The forward markets traded solid volumes to start the week. Levels indicated a continued easing tendency but a market looking to find support. Exporters were willing to take on some risk at moderate discounts to cash. Most activity was confined to pre Christmas but modest trading in January and February was the first positive glimmer in what has been a difficult August for everyone in the wool pipeline.

Commodity markets have been reactive to the intensified trade tensions between USA and China. Consumer confidence has been on the wane but the impact on wool prices has been masked, particularly in the medium wools, by the drought induced short fall in supply. As Andrew Woods pointed out in his report this week "Polyester (and cotton and viscose) have been plumbing 5 year lows while merino wool prices were trading at 70th-90th percentiles. As of yesterday the 21 MPG rank was back at its 40th percentile in USD terms."

Most traders view is that the current price correction has been overdone. Unfortunately, new export orders remain few and far between. More participation on the forwards, a low AUD/USD, a more conciliatory approach from both sides in tariff discussions, technical chart support levels and continuing tight supply all point to near term price stabilisation. The timing of this support will be critical due to the magnitude and rate of the falls.



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Register at: www.sheepconnectnsw.com.au/events/

In breaking news, China announced overnight (Thursday) that it would back down from further tariff escalation and urged the U.S to continue negotiations. China's Ministry of Commerce spokesman Gao Feng said that "China has ample means for retaliation, but thinks it's time to talk about removing the new tariffs to prevent a further trade war." Feng said "China is lodging solemn representations with the U.S. on the matter." He repeated Vice Premier Liu He's comment that China is "willing to solve the problem through consultation and cooperation, and firmly opposes escalation of trade war."

Those comments saw Global Markets rally, with the Dow gaining more than 320 points. The Aussie Dollar did not benefit after a chaotic week, and is trending lower. On Monday it dropped to .6689 then rallied mid-week to .6787 before easing back Friday (today) to .6725.

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