



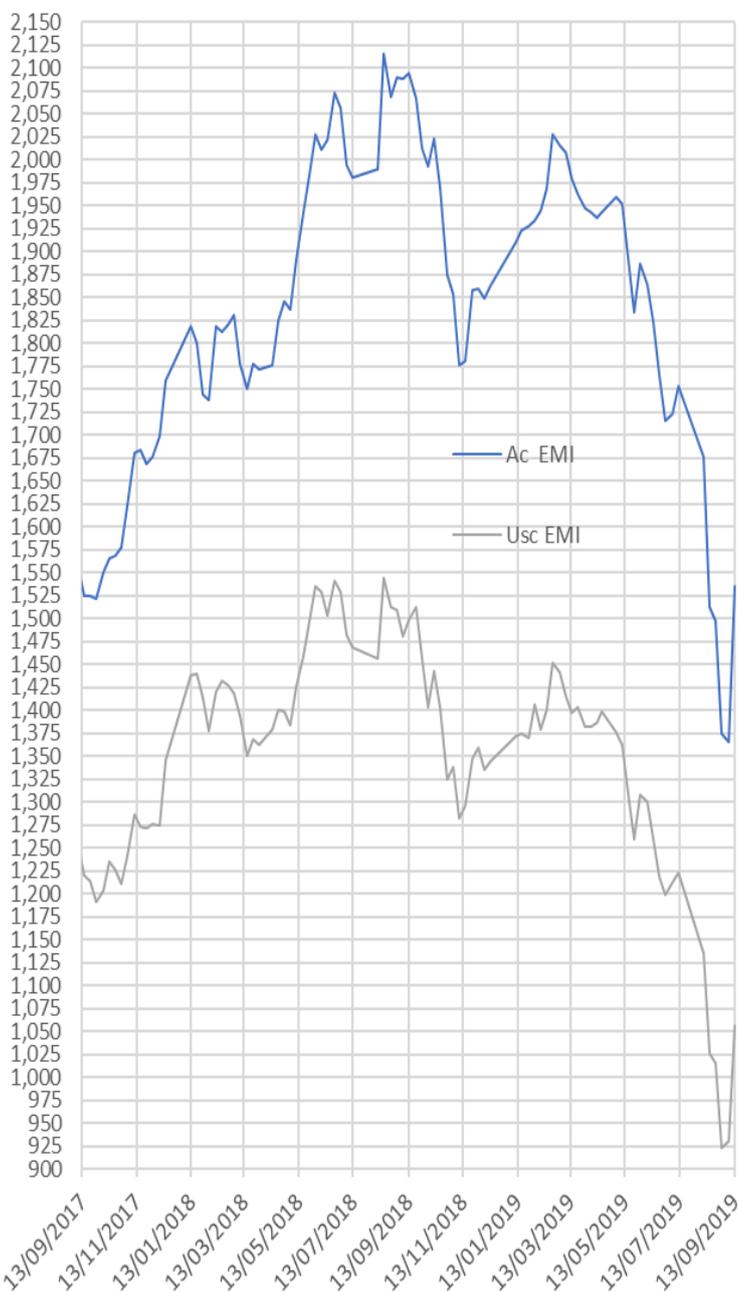
# WOOL MARKET WEEKLY REPORT

Sale Week 11: 13th Sept 2019



Offering—Aust. only		Currency movements			Eastern Market Indicator (EMI)			
Bales offered	19,193	AUD:USD	0.6881	+ 0.94 %	AUD	<b>1535 ac/kg</b>	<b>+ 170 ac/kg</b>	<b>+12.45 %</b>
Passed-In %	5.2 %	AUD:CNY	4.8772	+ 0.26 %	USD	1056usc/kg	+ 125 usc/kg	+13.51 %
Bales Sold	18,192	AUD:EUR	0.6248	+ 1.07 %	CNY	74.87 ¥/kg	+ 8.46 ¥/kg	+12.75 %
Season Sold	189,867	RBA close rates 12th Sept 2019			EUR	9.59 €/kg	+ 1.15 €/kg	+13.65 %

AWEX EMI week closing rate as at 13th Sept 2019



AWEX Auction Micron Price Guides.

Sales held Wed 11th, Thurs 12th Sept 2019

MPG	Sydney	Melbourne	Fremantle
17mic	1930 <b>+88</b>	1969 <b>+146</b>	-
18mic	1853 <b>+70</b>	1874 <b>+127</b>	1802n <b>+225</b>
19mic	1755 <b>+177</b>	1833 <b>+251</b>	1779 <b>+269</b>
20mic	1682 <b>+185</b>	1785 <b>+304</b>	1727 <b>+276</b>
21mic	1645 <b>+158</b>	1769 <b>+292</b>	1711n <b>+273</b>
22mic	-	1665n <b>+187</b>	-
23mic	-	1637n	-
24mic	-	-	-
25mic	-	-	-
26mic	1165n <b>+65</b>	-	-
28mic	953n <b>+100</b>	961 <b>+112</b>	-
30mic	813n	818n <b>+115</b>	-
32mic	-	-	-
MCar	906n <b>+92</b>	1007n <b>+186</b>	955n <b>+100</b>

Scheduled Australian Wool Auction Sales

Sale week commencing	2019/20 forecast	2018/19 actual
Week 12 16/09/2019	31,107 bales	35,211 bales
Week 13 23/09/2019	28,510 bales	32,985 bales
Week 14 30/09/2019	33,980 bales	38,317 bales

## AWI Commentary

Pre-sale thoughts were rife at the start of this week that the price falls at Australian wool auctions had gone far too low. Expectations of a market adjustment upwards were commonplace. The ensuing price rises though were totally unexpected. Confusion appears to be just as prevalent across the wool trade and similar to when prices were cascading downward.

The magnitude of, initially the falls and thence the subsequent gains, are not only indicative of the volatility of current demand but also a result of the hand to mouth nature of the operations of the modern day industry. In the limited supply, any slight shift in sentiment to the positive will produce magnified movements and this weeks gains were exaggerated by the market price falling way below the balance point of supply versus demand.

The three weeks of previous sale results were perhaps not reflective of the actual demand scenario but more slanted to the sentiment of global rhetoric influencing confidence negatively. As the dust settled on the market fall, potential losses were examined and almost all company's involved in the trade had some serious issues to face as far as plummeting value of their stock inventory was concerned. Hopefully the gains of this week can alleviate some of that pain.

The Australian Wool Exchange (AWEX) Eastern Market Indicator (EMI) gained a record 170ac or 12.5% of value for the week to close at 1535ac clean/kg. In US Dollar (USD) terms the USD EMI performed even better by closing at 1056usc clean/kg which was a 13.5% gain of 125usc.

In what can only be described as an extraordinary week of selling, record setting gains were very much the order of the day. The Merino fleece sector was the major beneficiary of value increases, with the fine/medium (19 to 22 micron) wools most sought. That segment saw gains of 250 to 300ac for the week, whilst the 18.5 micron and finer was by no means neglected and gained 100ac to 150ac. AWEX reported that the EMI rising by 170ac was the largest ever price gain in a single week and most of that was influenced by the incredible gains of the Merino fleece.

The auctions were firmly led by the local Australian exporters. The top 4 exporters topped buying lists and from the outset were intent on locking some volumes in. Price levels available from the overseas users had reportedly lifted to full market rates and above by Monday, flagging the most likely dearer market result that eventuated. Indent operators only became influential towards the close as they were initially left behind by the traders at the start of the selling. Interesting to note though was that WA levels sold after the East and were at least 50ac below.

Prior to sales commencing sellers withdrew a lot of wool that was originally scheduled for sale and subsequently just over 19,000 bales was eventually offered to the trade of Australian wool. This quantity was also offered over all three selling centres which surely must be some type of record low for volume offered at our traditional "peak of the season" time of year as far as quantity goes.

Growers exercising their right to withdraw or pass in their wool certainly appears, on the surface, to have been the right call over the past few weeks, if the market sticks or improves upon current levels. Buyers are fully expecting a mini flood of wool pushed back into the auction scene now and it will be somewhat of a litmus test as to the state of immediate requirements dependent on market direction once the volume hits.

31,000 bales is being offered next week.

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

The unprecedented volatility of the last month has put strain right across the pipeline. This atmosphere creates indecision and hesitation.

In the last 12 auction trading days the Eastern Market Indicator (EMI) has moved an average of 50 cents (3.3%) every day. The downtrend of 411 cents (27%) has been followed by a rise over the last three days of 192 cents (12.5%).

The impact on the forward markets has been more measured. It has seen an uplift in interest into the first half of 2020 but only on light volumes. Sharing the risk along the value chain and removing uncertainty should be the primary goal.

April forwards traded 19.0mic at 1670. The daily closing of the 19.0 index over the last four days has ranged from 1550 to 1794 (244 cents). The 21.0 micron contract traded April at 1630 with the spot index ranging from 1444 to 1707 (263 cents).

Valuing certainty over the fear of lost opportunity is critical in today's heightened risk environment.

The magnitude and velocity of the fall (and rally) has not been experience before by the market. Combined with the ongoing, ever changing, trade tensions our main consumer, China, is at a loss. Over the last two decades the average daily movement of the EMI has been less than 10 cents either positive or negative. The last 6 weeks has been 5 times that rate.

Setting targets and finding fair value levels will be a challenge for all participants in this volatile market. Exporters are looking for confirmation, by way of new orders, where the base might be set off this bounce.

Growers should be looking at initially setting conservative spring and summer targets with step ups should the rally continue. These levels should be balance against the likely rise in production costs and volumes with the ongoing dry conditions.

## AUD Commentary - SA (Southern Aurora) Markets

More friendly trade overtures coming from China and the U.S this week ahead of an October meeting helped the Australian Dollar higher as it lifted off Monday's low of .6838 and pushed to Thursday's high of .6896 before easing Friday to .6864.

Late Thursday evening Mario Draghi, the European Central Bank President announced that for the first time since 2016, the Bank would cut rates by a tenth of a percentage point to negative - 0.5%. It will also restart its quantitative-easing (QE) scheme, which it drew to a close last year, and in November it will buy €20bn-worth (\$22bn) of Bonds a month. Talk of rate cuts helped global Equities higher again, with the Dow now just under its record high and up for the 7th straight session at 27,182. Markets were also helped when President Trump agreed to delay tariff increases on Chinese goods by an extra two weeks.

Technically the Aussie Dollar has been able to hold the gains made from its rebound of the years low made in August, however it's running into stiff resistance and seems unable to break higher with momentum slowing. Resistance is found at the lows of May and June at 6900, then at .7020 while support is found at .6800 and at .6720. We feel the rebound is almost complete and favour a resumption of the downtrend.

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