



Offering—Aust. only		Currency movements			Eastern Market Indicator (EMI)			
Bales offered	34,080	AUD:USD	0.6972	-0.91 %	AUD	1754ac/kg	+ 31 ac/kg	+ 1.80%
Passed-In %	6.3 %	AUD:CNY	4.7857	-0.99 %	USD	1223 usc/kg	+ 11 usc/kg	+ 0.87%
Bales Sold	31,923	AUD:EUR	0.6186	-0.80 %	CNY	83.94 ¥/kg	+ 0.66 ¥/kg	+ 0.79%
Season Sold	60,969	RBA close rates 11th July 2019			EUR	10.85 €/kg	+ 0.11 €/kg	+ 0.98%

AWEX EMI weekly closing rate as at 12th July 2019



AWEX Auction Micron Price Guides.

Sales held Wed 10th & Thurs 11th July 2019

MPG	Sydney	Melbourne	Fremantle
17mic	2175 +42	-	-
18mic	2143 +36	2116 +17	2056n +25
19mic	2043 +19	2054 +7	2043 +23
20mic	2033 +24	2046 +9	2040 +27
21mic	-	2037 +15	2038n +30
22mic	-	2034n	-
23mic	-	-	-
24mic	-	-	-
25mic	-	-	-
26mic	-	1373n	-
28mic	1045n+15	1053 +3	-
30mic	-	861 +26	-
32mic	-	588n -1	-
MCar	1010 +29	990n +51	990n +9

Scheduled Australian Wool Auction Sales

Sale week commencing	2019/20 forecast	2018/19 actual
Week 03 15/07/2019	RECESS	RECESS
Week 04 22/07/2019	RECESS	RECESS
Week 05 29/07/2019	RECESS	RECESS

As Australian wool auction sales drew to a close for the first half of the 2019 calendar year, all wools on offer produced the goods and finished strongly and dearer. Some fresh forward sales for relatively prompt shipment from mainly China, and a modicum from other destinations, injected the much needed confidence to keep the market bustling in a positive direction leading up to the annual three week Winter recess in sales. Whilst quantities of concluded business were reported to be at “minimal” levels and prices just at market, it certainly did aid the physical market.

The Australian Wool Exchange (AWEX) Eastern Market Indicator (EMI) gained 31ac or 1.8% this week to close the first half of the year at **1754ac clean/kg**. In US Dollar (USD) terms the results were perhaps less impressive but still indicative of a slightly better demand scenario by shifting 11usc or 0.9% higher to **1223usc clean/kg**. The market no doubt was also assisted by the USD v AUD foreign exchange (forex) improving the AUD price by moving down 0.9% week on week.

By following the market movements of the past weeks, it can be ascertained that the global supply of wool in front of machines is dangerously low. Almost all business said to have been written was for prompt or immediate shipments. For the market to react as it did to just a nominal restocking by traders and manufacturers, many assumptions and charts are pointing to a rapid rise once consumer retail demand picks up in the northern hemisphere, particularly when tied in with the tightening supply by the lower global wool production.

This week's auctions saw the strongest buyer interest turn to the finer end of the Merino offering. Gains of 40 to 50ac were commonplace within the super fine (less than 18.5micron) category, with the better descriptions seeing 75ac added to their values. European interests appeared stronger in purchasing intent, but this maybe from trader exporters looking to put a few bales away for the their business partner's expected buying emerging in the August/September period, which normally is the pattern. Obviously supply concerns due to quality issues caused by drought conditions continues to play its part in this decision making, as does the relatively attractive price of these wools when compared to the previous two years or so.

The broader (more than 18.5micron) Merino sector also appreciated across all descriptions but gains were restricted to a general 10 to 20ac. This in USD terms was basically unchanged to just slightly dearer as the lower AUD helped keep the US price in check, aiding overseas users of these wools. Crossbreds of all types were similarly 5 to 15ac dearer, but also in reality not much dearer in delivered US price levels. Cardings though did see some significant uplift in their quotes with most sale lots within this sector rising 35 to 55ac.

Wool auction market activity this week was a replica of the proceeding few months. Chinese top makers, Australia's largest manufacturer interest and local Australian based traders took the majority of bales on offer. Indeed the top four buyers in each market sector took around and over 50% of the volume. Indent buying by the two big guns from China has not returned to normal and many are now questioning as to whether we have seen a changing of the guard as far as what is “normal” in that assumed buying pattern.

Supply concerns from Australia are very much reflected by the first sales of the new season. Australian auctions have produced just 60,969 bales sold compared to the 74,113 bales last season. This means that already 17.7% less wool has flowed up the chain.

Sales are now in recess. Auctions will resume in the week commencing 6th August and the next report distributed on Friday 9th August.

Another positive week for the auction market with all indicators registering modest gains and a small premium working its way back into the finer microns. Buyer interest before auction centred on the nearby months as exporters were keen to lock away anything of value from both the forward market as well as well as the physical offer board. A couple of early trades set the sentiment for a positive week for wool.

The front of the board has solid bidding out to October against patchy offers in both the 19 and 21 micron. From a grower's perspective, selling wool in spring above 2000 is usually a no brainer. The challenge comes from seeing it higher earlier in the year. Having realistic offers up against bids helps exporters selling forward, knowing they are able to offset some risk through the forwards. For growers it is always easier to sell into a rising market than be chasing bids on the way down. While the auction market is in recess the exporters are still conducting business and usually keen to offset some risk onto the forward market.

So while it is sensible for growers to consider hedging spring exposures around market levels, looking at covering new year sales is also prudent. Analysts continue to highlight the current poor global economic conditions, wool's current overvalued position in relation to competing apparel fibres and the historic cyclic nature of the wool market as indicators to a continued decline in prices into the new year. The only way of ensuring you will participate in any forward business is by having orders in the market. This week saw Apr 20 trade at the same level as Oct 19 for the 21's; at approximately 130 under cash for a 9 month forward that is a reasonable discount. Witness the last couple of months to see just how quickly value can be taken out of the market.



The Australian Dollar showed some volatility this week, however it ended the week only marginally lower than where it started near Monday's high of .6994. Midweek the Aussie slid to a low of .6910 before rallying back to .6978 today (Friday).

The dominant financial news over the last month concerns the Central Banks and their actions over the global economy. In Australia of course the RBA has already cut rates to the record low of 1%, and overnight the IMF and the European Central Bank said more stimulus is needed in the face of global risks, especially as the E.U is going through “a prolonged period of anaemic growth and inflation”.

The IMF is also concerned over the very high debts of some members, especially Italy, as well as the damage coming from the U.S & China Trade War.

The U.S seems to be a world away, as data overnight showed employment strengthening and inflation rising, and the Dow Jones broke through the 27,000 level closing at a new record high on comments from the Federal Reserve, which said it would step in to keep the economy humming, and keep borrowing costs trending lower.

Technically the Aussie Dollar remains trapped within a broader sideways trading pattern. We suggest any rally is likely to be short lived and our bias still remains negative. Support is found at .6910 .6850 and at the old low of .6831. Overhead resistance is seen at .7012, 7052 and 7210.

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