



WOOL MARKET WEEKLY REPORT

Sale Week 39: 29th Mar 2019



Offering—Aust. only		Currency movements		
Bales offered	37,405	AUD:USD	0.7097	-0.67 %
Passed-In %	11.8 %	AUD:CNY	4.7759	+0.04 %
Bales Sold	32,979	AUD:EUR	0.6306	+0.85 %
Season Sold	1,162,631	RBA close rates 28th Mar 2019		

Eastern Market Indicator (EMI)			
AUD	1947 ac/kg	-16 ac/kg	-0.82%
USD	1382 usc/kg	-21 usc/kg	-1.48%
CNY	92.99 ¥/kg	-0.73 ¥/kg	-0.78%
EUR	12.28 €/kg	+0.01 €/kg	+0.01 %

AWEX EMI weekly closing rate as at 29th March 2019



AWEX Auction Micron Price Guides.

Sales Wed 27th & Thurs 28th March 2019

MPG	Sydney	Melbourne	Fremantle
17mic	2513 -25	2447 -11	-
18mic	2437 -20	2359 -24	2336n+11
19mic	2316 -15	2296 -21	2300 +6
20mic	2293 -5	2274 -8	2280 +6
21mic	2279n -4	2263 -19	2270 +6
22mic	-	2253n -21	2258n
23mic	-	-	-
24mic	-	-	-
25mic	-	1600n	-
26mic	1425n +17	1433n	-
28mic	-	1178 +19	-
30mic	-	945 +16	-
32mic	-	628n +20	-
MCar	1142 -30	1109n -42	1089n -37

Scheduled Australian Wool Auction Sales

Sale week commencing	2018/19 forecast	2017/18 actual
Week 40 01/04/2019	38,212 bales	RECESS
Week 41 08/04/2019	35,945 bales	54,409 bales
Week 42 15/04/2019	41,055 bales	39,605 bales

AWI Commentary

Very mixed fortunes was the result this week at the Australian Wool auctions. Merino fleece type were cheaper in the east but dearer in the west, cardings were hit hard and devalued by the short wool market trying to find new levels of comfortable trade and crossbreds tracked to higher levels yet again. The Australian Wool Exchange (AWEX) Eastern Market Indicator (EMI) fell 16ac or 0.8% to close at **1947ac clean/kg**. The EMI when expressed in USD was even more affected as the ac/kg fall combined with a 0.7% weaker AUD to see the USD EMI 21usc or 1.50% lower to close at **1382usc clean/kg**.

To obtain the best lead as to Merino demand presently it is recommended to look west. The West Australian (WA) wool clip at the moment is attracting strong interest from buyers. WA is producing what is considered the most easily of placed wools, and most notably for the bread and butter types suitable for the Chinese market of 19.5 and 21 micron average. Climactic conditions have generally been kinder to the wool growers of WA and even where it has been dry, a large portion of the growers in that state manage dry times routinely for months on an annual basis.

Whilst there has been a fining up of the Merino production in WA over the decades, it is much less of a production trait than it appears is focussed in the East. The volume of Merino wool produced in the 19 to 22 micron range, percentage wise, is much greater than the Eastern states and particularly the Sydney centre. For comparison's sake, the average micron of the 5,000 bales of Merino fleece wools this week in Sydney was 18.1u as opposed to the 19.5u average fibre diameter of the 6,000 bales offered in Fremantle.

Wool auction price tells the story and this week saw all WA wool micron price guides of 18.5 to 22 micron above the levels registered in the voluminous Melbourne Southern centre. The pure restriction of supply in Sydney caused the price guides there to stay in front of the other two selling centres. In fact all Eastern states Merino fleece price movements were trending lower and the closing prices generally decreased by 10 to 20ac, whereby gains of 5 to 10ac were recorded on all WA fleece wool.

The drought affected wools of the Sydney (sourced NSW and QLD) and Melbourne (mainly South Australian component) selling centres is a big part of the price reduction this week as most of the better portion of the Merino offering remained rock solid. Low yielding sale lots remain as the hardest to place of all tested specifications and is attracting the least of the exporter competition.

Merino skirtings are facing similar issues to fleece wools in regards to low yields and the market for those wools also drifted throughout to be 20ac lower. With most of the our wool destined for export in the greasy form, the low yields mean far less clean kgs are able to be placed into shipping parcels/containers. Container shipment to China is much cheaper than all other destinations so decreased shipping of clean kgs is problematic but relatively negligible in the big cost picture, but with European and Indian shipping costs ranging from 3 to 5 times higher, the lower yields either takes competition away or depresses price due to conversion to clean kg.

Comebacks and crossbreds (26 to 32micron) were the best performing wool types once again and appreciated throughout selling to close at levels 20ac higher. Continued innovative blending combined with some new specialty orders has seen pressure remain in this sector as quite a bit of the offering sets new record highs on a weekly basis. Conversely the cardings sank to prices 30 to 40ac lower than they were last week.

Next week has 38,000 bales rostered to sell. Some encouraging news is that some rain has finally fallen in some drought affected zones.

Wool forwards report - SA (Southern Aurora) Markets

A mixed week for both the spot and the forward markets. The spot auction has been lacklustre for the last month and a half giving up most of it's new year gains. Demand fatigue, due to continued high prices, has had the market looking to establish a new support level. Restricted supply should point to this support not being far away. This was evident with pre-Easter trading this week at near cash. 19.0 traded at 2290 and 21.0 at 2250. This seems fair value to both buyer and seller on a market that has slipped 70 to 80 cents in these microns over the past five weeks.

Exporters and processors have been factoring in higher price risk into the new season. Trade volumes have been solid and prices, although discounted, far exceed medium term averages. For 19-micron trades range 2150 and 2200 and 21.0 micron between 2095 and 2115. Unfortunately, volatility will likely remain as the flow of good quality high yielding wools is intermittent for the medium term. Forward levels should hold next week with exporters still keen to keep their forward book as balanced as possible. For full trades and price information visit www.samarkets.com.au.



The Yarn - Episode 80 Lessons in and out of the shearing shed

<https://www.wool.com/about-awi/the-yarn-podcast/>

AUD Commentary - SA (Southern Aurora) Markets

It was a roller coaster week for the Australian Dollar, mostly driven by offshore events. On Monday the AUD opened on the week's low of .7065 before pushing through to Wednesday's high of .7145 then sliding into Thursday's overnight low of .7068 before lifting a little Friday at .7075.

The AUD lifted earlier in the week on a falling USD as investors fretted over an inversion in the U.S. Bond yield curve, which is perceived as an indication of recession. The 10-year U.S. Treasury Bond slumped to 2.37 percent, its lowest level since mid-December 2017, and it also inverted by falling below that of the 3-month bill for the first time since 2007 renewing fears over a slowdown. However any strength in the AUD from that was dashed on Wednesday when the New Zealand's Central Bank surprised by saying the next move in rates is likely to be down citing a weakening economy and slowing global growth. That immediately increased speculation about the RBA being forced to do the same. The AUD came under further pressure when Chinese data showed falling industrial profits.

Technically the Australian Dollar remains trapped within a broad sideways trading pattern ranging between .7000 and .7380, however the bias remains negative and we expect the Aussie will break lower. Overhead resistance is found at .7212, then .7380, while support exists at .7000 then .6945.

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