



WOOL MARKET WEEKLY REPORT

Sale Week 40: 5th Apr 2019



Offering—Aust. only		Currency movements		
Bales offered	37,454	AUD:USD	0.7111	+ 0.20 %
Passed-In %	12.8 %	AUD:CNY	4.7748	- 0.02 %
Bales Sold	32,669	AUD:EUR	0.6325	+ 0.30 %
Season Sold	1,195,300	RBA close rates 4th Apr 2019		

Eastern Market Indicator (EMI)			
AUD	1943 ac/kg	- 4 ac/kg	- 0.21%
USD	1382 usc/kg	= usc/kg	= 0.00%
CNY	92.77 ¥/kg	- 0.21 ¥/kg	- 0.23%
EUR	12.29 €/kg	+ 0.01 €/kg	+ 0.10 %

AWEX EMI weekly closing rate as at 5th April 2019



AWEX Auction Micron Price Guides.

Sales Wed 3rd & Thurs 4th April 2019

MPG	Sydney	Melbourne	Fremantle
17mic	2512 -1	2415n -32	-
18mic	2422 -15	2365 +6	2339n +3
19mic	2299 -17	2290 -6	2309 +9
20mic	2277 -16	2253n -21	2276 -4
21mic	2268n -11	2253n -10	2270 =
22mic	-	2251n -2	-
23mic	-	-	-
24mic	-	-	-
25mic	-	1628n +28	-
26mic	1445n +20	1458n +25	-
28mic	1205n	1203n +25	-
30mic	-	963n +18	-
32mic	-	636n +8	-
MCar	1101 -41	1117n +8	1092n +3

Scheduled Australian Wool Auction Sales

Sale week commencing	2018/19 forecast	2017/18 actual
Week 41 08/04/2019	38, 712 bales	54,409 bales
Week 42 15/04/2019	42,465 bales	39,605 bales
Week 43 22/04/2019	RECESS	42,621 bales

AWI Commentary

Results this week at the Australian wool auctions produced prices similar in trend to the existing patterns. The Merino fleece and skirtings sectors are still drifting downward trying to adjust and find comfortable trading levels for the heavily drought-influenced on quality of the selection. Crossbreds remain well sought and continued to strengthen, whilst cardings realized further losses. The Australian Wool Exchange (AWEX) Eastern Market Indicator (EMI) lost a minor 4c or 0.2% to close at 1943ac clean/kg. The EMI when expressed in USD was unchanged at 1382usc clean/kg.

Some key Australian wool supply data has been released the past week, with some variation in estimates of tested wool and forecast production for the season. What is clear though is a significant drop in tested weight for this current season of over 10% is most likely whilst further production degradation is projected for the 2019/20 season. Full details below for both releases.

From the AWTA data some surprising results are being recorded as the 12% shortfall pre Xmas is failing to be replicated so far and transfer into this half of the season. In fact by weight we are now just 10.3% lower than last season overall. If this figure holds up through till June, that will give a 2018/19 season tested weight of around 323 million kgs, which will be well above the 308 to 312 million kgs that most within the trade were expecting. A further loss of export weight of 2.45% has been indexed as the average clip yield (dry) has fallen from 65.3% to 63.7% on a year to year comparison at the end of March each season, resulting in the lower clean kgs.

The market this week was practically a mirror image of the past month or so. The Merino micron price guides averaged a 15ac loss in the two Eastern sales, but again due to the low yielding and hard to place wools. Better types sold fully firm under strong competition across all microns. The Fremantle auction performed best with most of their offering surpassing the prices of both Eastern selling centres. The West indicators were all par to 10ac dearer. Crossbreds surged ahead across all descriptions and gained a general 25ac for the week. Carding types featured great variations between sale centres and were being quoted without relativity.

Positive news emerged during the last week or so for wool growers and farmers (and the industry) with some decent and very welcome rain over a good section of the drought affected wool growing areas of NSW, Queensland and South Australia. Whilst by no means drought breaking or widespread it has provided some relief and hope. Parts of the drought affected zones are reportedly on the verge of getting an Autumn and hopefully all areas get rain or follow up before cold sets in and stops any chance of decent pasture growth to carry stock through the winter. For the time being though the sell off of vital breeding ewe stocks has slowed considerably as confidence in the climate grows.

Next week has 38,712 bales rostered to sell.

AWTA end March 2019 Key Test Data

- The monthly comparisons of the total weight tested for March 2019 compared with the same period last season shows 3.7% less wool tested.
- The progressive comparison of total weight tested for July 2018 to March 2019 compared with the same period last season shows there is currently 10.3% less wool tested.
- AWTA Ltd has tested 250.4 mkg (million kilograms) this season compared with 279.1 mkg for the equivalent period last season.

Wool forwards report - SA (Southern Aurora) Markets

The forward markets remain constricted with both buyer and seller looking for direction. The establish pattern of the last three to four years of medium to long prices rallies followed short sharp falls seems to be broken. The spot market edged down throughout March as the balance between supply and demand shifted slightly with off shore clients needing some relief. Export numbers for February were down 12% and the year on year down 16%. This is roughly in line with the estimated reduction in production. With quality and quantity likely to vary from week to week we could see a bit more volatility but a continued easing trend.

Exporters are still finding it difficult to get forward commitments from processors at levels approaching spot prices. The lack of grower offering into the spring is hampering price discovery signals. Strong Spring hedging levels achieved during the market rally in February indicated a strong base level going forward. 19.0 (2225 to 2260) and 21.0 (2100 to 2150). The spot market has lost around 100 cents since those peaks but grower offering levels remain unchanged to higher and attracting little interest.

We anticipate trade interest to remain solid through to June at modest discounts to cash. Spring interest to return at slightly reduced levels. 19 micron indicative interest 2150 to 2200 and for 21.0 micron 2050 to 2100.

AUD Commentary - SA (Southern Aurora) Markets

The Australian Dollar had a volatile week, however it ended on Friday only a little lower than when it started Monday where we opened at .7132 then fell quite steeply into Wednesday's early low .7051 before recovering sharply later Wednesday on stronger economic news to be trading Friday at .7112.

The over arching news this week was the progress in the China/US Trade talks, as China again purchased large amounts of U.S Agricultural Commodities and China's Vice President Liu is in the U.S to push this along "Also supportive was Trump's assertion that 'China will be buying a lot of product from the U.S.'"

During the week Australia had some good data releases starting with our Record Trade Data surplus of A\$4.801 Billion in February. Also helping things along China's new stimulus program has seen a solid bounce in their services and trade sector.

Technically the AUD remains trapped within an extended sideways pattern, however the bias remains negative. A break of the .7050 support will see the market fall to the .7000 support and then to .6940 support. Currently the AUD is oversold and we expect a small rally before the next sell off. Strong upside Resistance is found at .7308 and .7400. We expect those levels to hold.

AWPFC April 2019

- The Australian Wool Production Forecasting Committee forecasts that Australian shorn wool production for 2018/19 will reach 298 mkg greasy. This is a 12.6% decline from the levels in 2017/18 and reflects the continuing drought conditions across large parts of the Australia.
- The Committee's first forecast for 2019/20 is for shorn wool production to be 285 mkg greasy, a further fall of 4.5%, due to a further reduction in the number of sheep shorn. This early forecast assumes normal seasonal conditions in 2019/20.

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