



WOOL MARKET WEEKLY REPORT

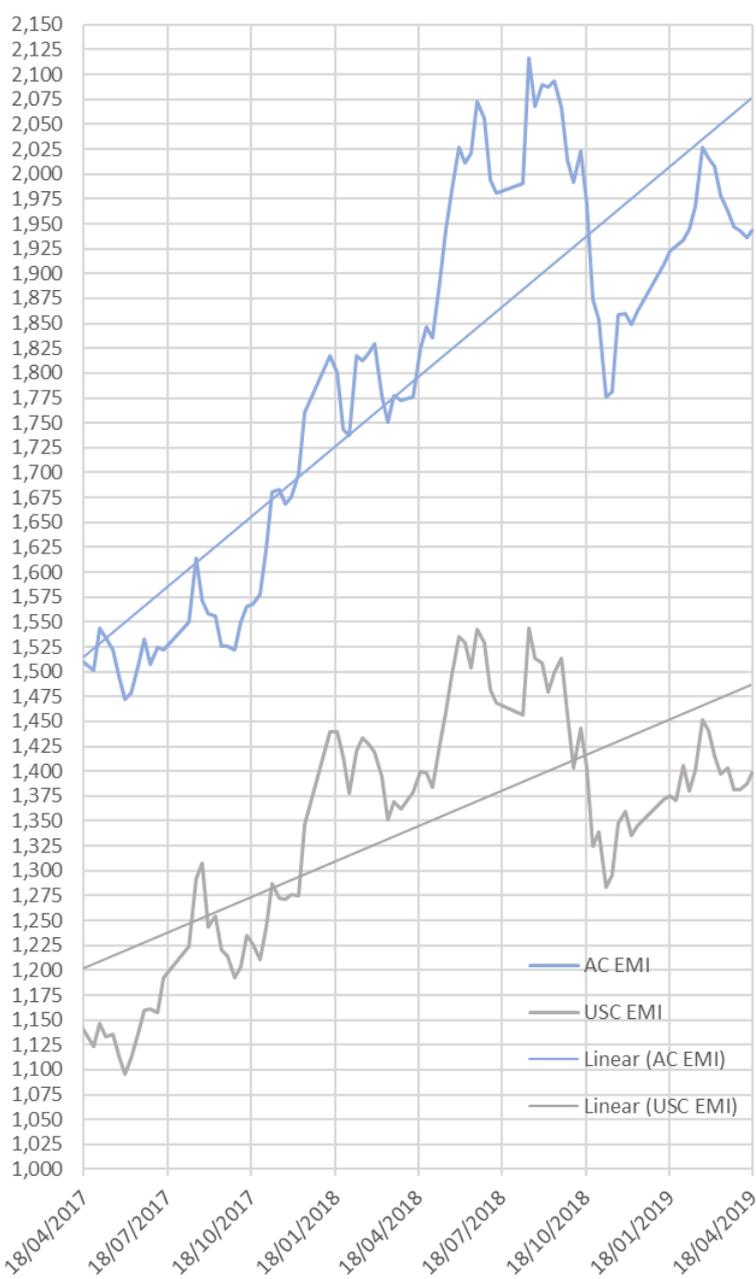
Sale Week 42: 18th Apr 2019



Offering—Aust. only		Currency movements		
Bales offered	40,774	AUD:USD	0.7200	+ 0.52 %
Passed-In %	10.3 %	AUD:CNY	4.8198	+ 0.22 %
Bales Sold	36,574	AUD:EUR	0.6365	+ 0.25 %
Season Sold	1,229,093	RBA close rates 17th Apr 2019		

Eastern Market Indicator (EMI)			
AUD	1943 ac/kg	+ 7 ac/kg	+ 0.36%
USD	1399 usc/kg	+ 12 usc/kg	+ 0.88%
CNY	93.65 ¥/kg	+ 0.54 ¥/kg	+ 0.58%
EUR	12.37 €/kg	+ 0.08 €/kg	+ 0.61%

AWEX EMI weekly closing rate as at 18th April 2019



AWEX Auction Micron Price Guides.

Sales held Tues 16th & Wed 17th April 2019

MPG	Sydney	Melbourne	Fremantle
17mic	2483 -14	2358n -17	-
18mic	2404 -6	2355 +21	2301n -9
19mic	2291 -2	2291 +20	2271 -2
20mic	2264n -8	2255 +17	2246 +2
21mic	2264n -4	2238 =	2230n -2
22mic	-	2220n -6	-
23mic	-	-	-
24mic	-	-	-
25mic	1666n	-	-
26mic	1450n	1501n +41	-
28mic	1244 +39	1266 -2	-
30mic	-	976 -22	-
32mic	-	659n =	-
MCar	1084 -12	1072n -28	1094n -3

Scheduled Australian Wool Auction Sales

Sale week commencing	2018/19 forecast	2017/18 actual
Week 43 22/04/2019	RECESS	42,621 bales
Week 44 29/04/2019	42,065 bales	42,794 bales
Week 45 06/05/2019	35,541 bales	37,842 bales

AWI Commentary

The national wool auctions produced a positive result this week out of Australia. For the time being, this has reversed the slow decay of the average market price that has been the trend for two months. In fact the Australian Wool Exchange (AWEX) reports state that this latest drift is the longest since November 2003, when measured in weeks selling, The AWEX Eastern Market Indicator (EMI) gained 7ac or 0.36% to close higher at 1943ac clean/kg. The EMI when expressed in USD was even stronger and recorded a 12usc or 0.88% to see that indicator close at 1399usc clean/kg.

Some renewed enthusiasm from China helped stage the reversal this week. Chinese manufacturing sector figures from March 2019 produced a surprising turnaround to the positive with exporting factories the major beneficiaries it appears. To add sustenance to a better trade scenario, bank lending in China is said to have loosened substantially and finance is more accessible.

Another leading factor as to why the prices went to the better side for grower sellers, was the higher percentage of better wools on offer. Buyers reported yields were better than previous weeks. Volumes were also higher, particularly ex Sydney where some of the offering had been held over from previous months to be sold at the RAS Royal Easter show special sale.

To add further support for real shift in sentiment was the strengthening Australian dollar (AUD) failed to dampen buyers purchasing. The auction was fully supported on the Merino fleece sector by the large Chinese indent operators and top makers, with good backing from two of the larger local trader exporters. In fact, across all wool types and descriptions, the competition could be described as being widespread for the first time for a quite a while.

Export data for Australian wool up till the end of February show that China has reduced its import percentage of the clip from last full season of 75% down to 72%. If this figure holds till the end of this season that will represent a drop of import into China or around 4.2% of our clip, but with the drop in production and lower yields, that figure will be a significant one when measured in actual clean kgs exported to China for the 2018/19 season. India has remained locked to their 6% of our export whilst Italy has joined them on 6% (up from 4% of last seasons) whilst the Czech republic has dropped to 4% from 5%.

Merino fleece this week finer than 18 micron was somewhat soft in demand all week, and hampered by large volumes available (Sydney averaged 18 micron) and fell by 15ac in all selling centres. The Italians picked the good ones and bought at good levels 150ac above the normal prices. The 18mic and broader wools were well sought in the South and strong gains of 20ac was made. The West played a firm unchanged tune, whilst Sydney hit levels 5ac lower due to the lower yielding wools in that market. Skirtings remained near enough to their established quotations but cardings reduced by 10 to 20ac.

Crossbreds continue to be the most in demand of all wool types and held their values and added 40 to 50ac in parts. The saleability of the end use products that these wools are destined to go into combined with some blending innovation has led to the current favouritism. Playing its part as well is of course the cheaper first cost, which provides less risk to manufacturers looking to fulfil machinery demand rather than buying to order.

Next week has no auctions scheduled as the Easter period does not allow enough time for the proper conduct of the sales. We currently expect large offerings in a fortnights time followed by weeks and perhaps months of volumes available falling away.

Wool forwards report - SA (Southern Aurora) Markets

The spot auction market closed for the Easter break still uncertain of direction. Having looked to find a base Tuesday with most qualities lifting, the majority eased into Wednesday on the vagaries of selection and a stronger AUD.

Forward trading was again sparse. There was very little interest from sellers in the medium term leading into the season close. Growers and exporters are both uncertain of the impact of diminishing supply and equally muted demand. Buyers were looking to cover and 21.0 micron traded at cash early in the week (2250 for June). Most interest from the selling side was focused on longer term hedging. With Crossbred prices at record levels growers were able to get cover at the 90th percentile and above for 28.0 out 12 months. December traded at 1010 and March 2020 at 995.

On the merino qualities exporters and processors continue to bid the near term steadily even with the current down trend holding. Selection risk is still evident maintaining interest levels near cash out to June. Spring and Summer levels are discounted 100 to 150 cents equating where new long term export business can be written. 19.0 traded June 2020 at 2150. From an historical point of view this is in the top 10% of prices for the last decade. Taking a more recent view it is in the top 25% of prices for the last four years of price data.

We expect interest to remain steady on the forwards next week in the absence of spot auctions. Volume will be determined by the off shore demand over the recess.

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AUD Commentary - SA (Southern Aurora) Markets

The Australian Dollar traded mostly sideways this week, waiting on Thursday's release of the Australian Jobs report. On Monday the Aussie opened at .7180 and then rallied into Wednesday's high of .7206 on the release of much better China Data, but failed to break the .7208 resistance, then fell on Wednesday evening on a rebound in the USD, and is trading Thursday morning at .7160.

The AUD was pressured lower when the NZD fell on the release of weaker New Zealand CPI data. Importantly for Australia China's GDP grew by 6.4% in Q1, while Industrial Output and Retail Sales both accelerated sharply from the levels seen in the first two months of the year. Urban fixed asset investment also grew at a faster pace than earlier in the year, bolstering confidence that the Chinese economy is strengthening on the back of recent stimulus measures rolled out by policymakers.

The USD rebound came on the news that the US trade deficit narrowed to the lowest level in eight months in February, also boosting expectations for a stronger US Q1 GDP. Today's 11:30am Jobs Report will be a strong guide to the RBA's interest rate outlook, also at 11:30 the National Australia Bank will release its Quarterly Australian business confidence survey.

Technically the Aussie Dollar's attempted rally this week failed at the key resistance of .7208, while pushing up to near multi-month highs. On the chart there is a positive bias and the Aussie is likely to attempt another rally through this possibly to .7290 and maybe then to key resistance at .7400 cents. However we view any rally as corrective in nature and still favour a lower Aussie Dollar with a retest of near term support at .7145 then .7060.

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