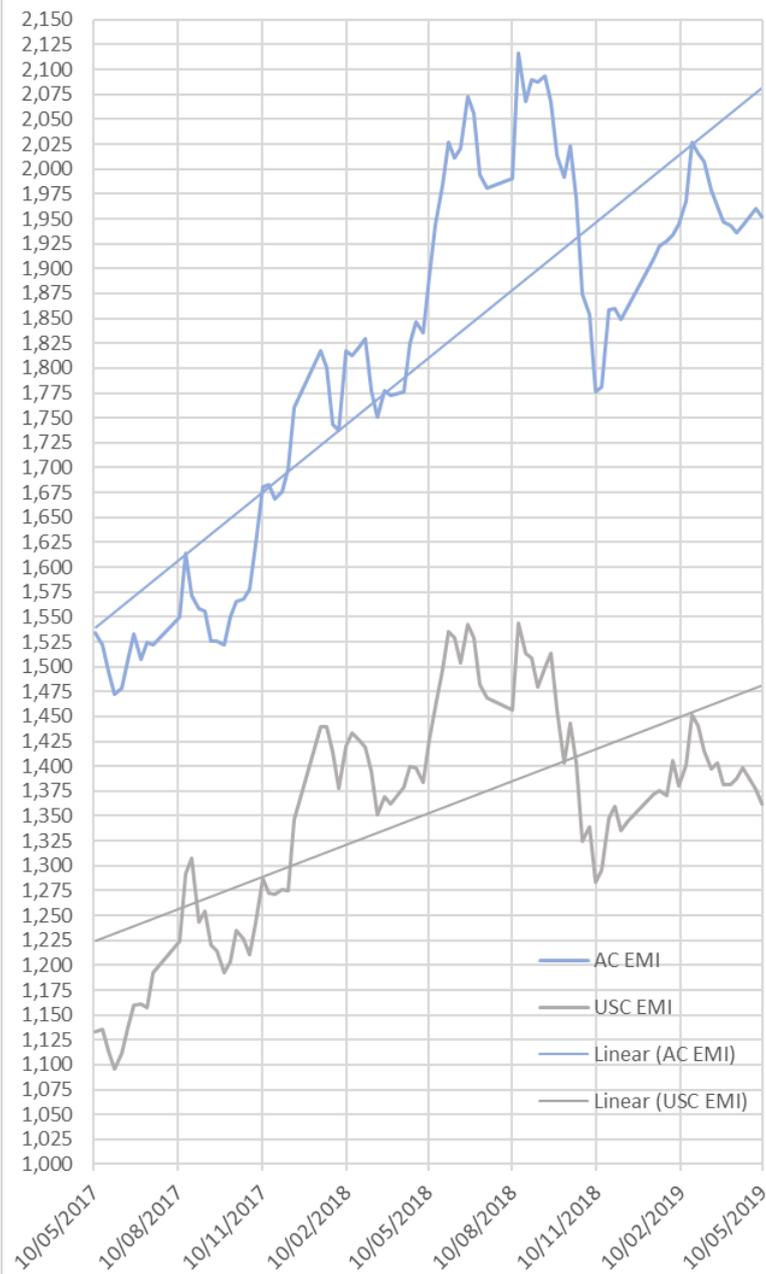




Offering—Aust. only		Currency movements		
Bales offered	32,801	AUD:USD	0.6976	-0.63 %
Passed-In %	12.9 %	AUD:CNY	4.7467	+0.40 %
Bales Sold	28,576	AUD:EUR	0.6230	-0.56 %
Season Sold	1,334,533	RBA close rates 9th May 2019		

Eastern Market Indicator (EMI)			
AUD	1952 ac/kg	- 8 ac/kg	- 0.41%
USD	1362 usc/kg	- 14 usc/kg	- 1.03%
CNY	92.66 ¥/kg	- 0.01 ¥/kg	- 0.01%
EUR	12.16 €/kg	- 0.12 €/kg	- 0.96%

AWEX EMI weekly closing rate as at 10th May 2019



AWEX Auction Micron Price Guides.

Sales held Wed 8th & Thurs 9th May 2019

MPG	Sydney	Melbourne	Fremantle
17mic	2480 -13	2364 -26	-
18mic	2413 -12	2347 -28	2300n -33
19mic	2288 -16	2279 -27	2264 -40
20mic	2259n -19	2247 -24	2234 -30
21mic	-	2246 -14	2209n -40
22mic	-	2235n -5	-
23mic	-	-	-
24mic	-	-	-
25mic	-	-	-
26mic	-	1523 +12	-
28mic	-	1323 +15	-
30mic	-	1005n =	-
32mic	-	659n =	-
MCar	1093 -1	1089n +7	1094n -25

Scheduled Australian Wool Auction Sales

Sale week commencing	2018/19 forecast	2017/18 actual
Week 46 13/05/2019	33,361 bales	36,398 bales
Week 47 20/05/2019	30,336 bales	30,053 bales
Week 48 27/05/2019	33,360 bales	30,439 bales

AWI Commentary

A pragmatic approach to purchasing by the majority of buyers at this week's Australian wool auctions saw a market that largely went to the buyer's favour. The week's operations featured the continued weakness of the two largest Chinese indent operators within the Merino fleece. This lack of purchasing intent saw that sector flounder and drift downwards, as the exporters that were interested were advantaged and this allowed the price to drop back to their ideal levels.

The AWEX Eastern Market Indicator (EMI) retreated by 8ac or 0.41% to close at 1952ac clean/kg, which effectively halved the price gain achieved last week. The EMI when expressed in USD was again much weaker than the AUD levels and fell to 1362usc clean/kg, which was 14usc or 1.03% lower. It must be noted though that the week-on-week USD EMI was predominantly lower because of the substantially weaker AUD v USD rate which occurred late Thursday after most wool auctions had concluded. Throughout selling this week, the rate was almost spot on the previous week's close.

The sensitivity or hesitancy from overseas buyers using USD or CNY/USD is even more confusing as the predictions of a cut in the AUD interest rates failed to materialize. Yet, the AUD forex rate against the USD fell despite the market saying pre announcement on Tuesday that the anticipated cut "had already been factored into the forex market". In theory, the Aussie dollar should have rebounded rather than falling, indicating a far stronger influence (US-China tariff talks?) is in play.

As the two big guns from China basically sat out from this week's purchasing activity again, in the Merino segment, the processors and top makers took the opportunity to load up their inventory levels once more. The absence of the normally stiff competition of the indent operators, who represents mainly the China-based trading companies and smaller mills who don't have their own import and international banking set ups, allowed a general freedom in price determination as the Australian exporters looked to the top makers to ascertain what buy-in levels they should pay, or have to pay to satisfy prompt needs.

With all wool imports still banned into China from South Africa, the prompt machinery demand must chiefly be met by Australian supply, hence the heavier purchasing activity percentage by the two largest Chinese top makers at the top of Australian buying lists. At this stage of the season with just 7 weeks of selling left, we have seen a staggering 248,004 less bales sold through the auction system than at the same period of last season. This represents a reduction of 15.7% which far exceeds the AWTA key test data which shows a 10.3% year-on-year retraction of all wool tested.

Possibly these auction figures are exaggeratingly lower as anecdotally an appreciable uplift in private, direct supply contracts has been reported. Mainly affected are high quality superfine wool clips and various forms of audited compliancy schemes clips being the areas of production most likely eliminated from the auction figures. In addition, many of the purchasing operators are now represented by direct buying operations in the regional areas, which would be almost exclusively direct to export and bypassing the auction system.

Australian wool export figures from March show China lifting its market share from 71 to 73% for the current season. This falls short of the 76% of a much larger offering last season, but with a quarter of the seasons numbers still to come in, that % is likely to lift again.

Merino fleece and skirtings this week fell 15 to 25ac, crossbreds gained 15ac and cardings remained unchanged to 5ac dearer.

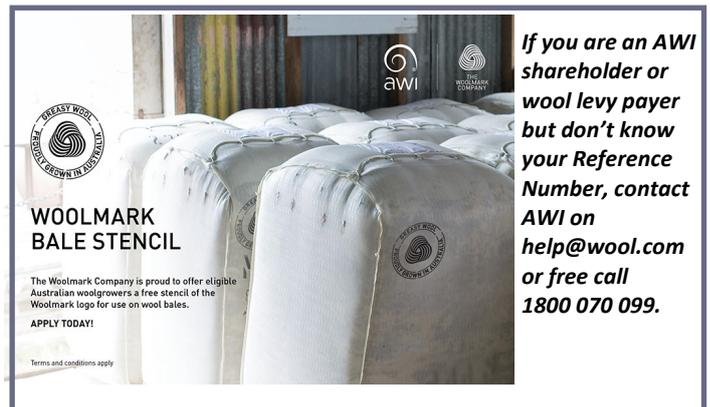
Next week has 33,361 bales scheduled for auction.

Wool forwards report - SA (Southern Aurora) Markets

Not the Year for Living Dangerously - Increased volumes went through the forward markets this week as risk mitigation was at the forefront of every one's mind. Global markets reacted to increased tweeter induced tension in the China/USA trade talks with increased volatility. Wool in particular had a mixed bag this week. Recently release export data showed improved volumes for March leading to steadying of the year to date decline to 13.7%. This is roughly in line with the production fall estimates. China took 80% of the exports for the month highlighting the importance of the current trade talks.

Near and medium demand remains poor at these current price levels leading to most merino qualities coming off 20 to 30 cents this week at auction. Forwards traded briskly with trades across most microns and maturities out to February 2021. The main focus was on the Spring of 2020 and autumn 2021 where 85 tons traded between 2125 and 2155 in the 19.0 micron category. Fair value seemed to be achieved with growers wanting certainty of return for up to two years out at attractive margin levels. 2155 equates to the 75% price level of the last 4 years and the 90% level for the decade. Processors likewise are looking for some certainty of price to combat the volatility of recent times.

With demand remaining poor we expect spot prices to continue to ease but tempered by the tight supply (Weekly offering projected at 30 to 34,000 for the next month). Forward markets will likely follow suite and weaken slightly. Opportunities in the spring and into 2020 are likely present again next week and will be influenced global market sentiment.



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AUD Commentary - SA (Southern Aurora) Markets

The Australian Dollar has already had a volatile week, however later today (Friday) at 2pm U.S President Trump will announce whether the U.S will add another US \$200 Billion in new Tariffs on Chinese imports, and also today the RBA will release it's quarterly Statement on Monetary Policy including updated economic forecasts.

The AUD opened the week on its lows at .6962 before rallying sharply Tuesday afternoon to .7047 after the RBA decided to leave interest rates on hold, many had expected a cut. However the Aussie then tumbled again Thursday to a low of .6964 when news broke the U.S would apply massive China tariffs if no trade deal was reached. Today (Friday) the Aussie is trading a little higher at .6998 ahead of today's major announcements.

Technically the AUD is oversold, and a small corrective rally is expected. There was strong technical buying support for the Aussie near the lows at .6960. A break of 0.6960 would see the AUD drop to support at .6910 then .6850, while overhead resistance is found at .7122 then 7295.

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