



WOOL MARKET WEEKLY REPORT

Sale Week 52: 28th June 2019



Offering—Aust. only		Currency movements			Eastern Market Indicator (EMI)			
Bales offered	29,167	AUD:USD	0.6992	+ 1.41 %	AUD	1715ac/kg	- 51 ac/kg	- 2.89%
Passed-In %	20.0 %	AUD:CNY	4.8099	+ 1.59 %	USD	1199 usc/kg	- 19 usc/kg	- 1.52%
Bales Sold	23,332	AUD:EUR	0.6157	+ 0.60 %	CNY	82.49 ¥/kg	- 1.12 ¥/kg	- 1.34%
Season Sold	1,484,264	RBA close rates 27th June 2019			EUR	10.56 €/kg	- 0.25 €/kg	- 2.30%

AWEX EMI weekly closing rate as at 28th June 2019



AWEX Auction Micron Price Guides.

Sales held Wed 26th & Thurs 27th June 2019

MPG	Sydney	Melbourne	Fremantle
17mic	2120 -97	-	-
18mic	2090 -97	2068 -70	1998n -118
19mic	2002 -88	2016 -83	1976 -128
20mic	1984n -87	2008 -65	1979 -123
21mic	-	-	1971n -120
22mic	-	-	-
23mic	-	-	-
24mic	-	-	-
25mic	-	-	-
26mic	-	-	-
28mic	-	1060 -31	-
30mic	-	835n -29	-
32mic	-	603n -15	-
MCar	961 -24	921n -32	1006n -9

Scheduled Australian Wool Auction Sales

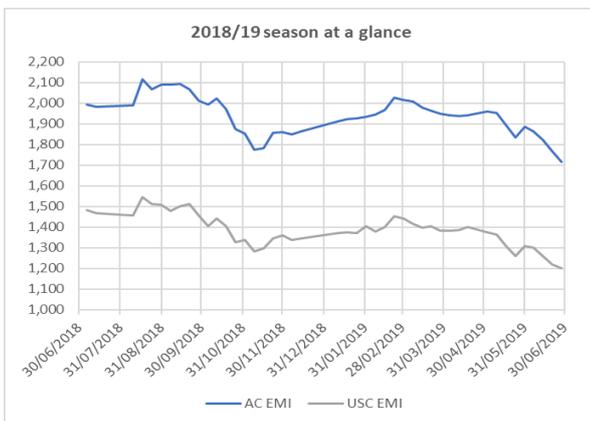
Sale week commencing	2019/20 forecast	2018/19 actual
Week 01 01/07/2019	34,504 bales	43,880 bales
Week 02 08/07/2019	35,380 bales	40,544 bales
Week 03 15/07/2019	RECESS	RECESS

AWI Commentary

This week saw the final sales of the 2018/19 season take place and price falls were again the results at Australian wool auctions. The positive signs that emerged at the end of the previous weeks selling had swiftly dissipated by the time it came for sales to commence. The AUD had strengthened against the USD (+1.4%) and CNY (+1.6%) giving cause for our overseas buyers to remain on the side-lines. The current demand through the entire wool supply chain, remains the predominant factor for the market doldrums. Demand for the raw, greasy product is presently described as being subdued at best.

The Australian Wool Exchange (AWEX) Eastern Market Indicator (EMI) dropped 51ac or 2.9% this week to finish the season at **1715ac clean/kg**. With the stronger AUD against all major currencies, the falls recorded were less dramatic in US Dollar (USD) terms. For the week, the USD EMI depreciated by 1.5% or 19usc to a season close of **1199usc clean/kg**.

As the season drew to a close, the market fizzled out in the last month and failed to replicate what had largely been a stellar, record setting year. The AUD EMI set an all time high of 2116ac in August, nearly all individual micron categories broke their previous bests and the season average of 1939ac was the highest on record and indeed 200ac or 11.5% higher than the average price of 1739ac received in the 2017/18 season.



In USD terms, which is perhaps more indicative of reliable demand source scenario, the EMI moved 40usc or just 2.9% higher for the 2017/18 seasonal average of 1346usc to the 2018/19 season average of 1386usc. It is imperative to note though that the AUD v USD forex rate has actually decayed from the 2017/18 season average of .775 compared to the 2018/19 rate of 0.716 which is a 7.6% advantage to the favour of the AUD price.

Supply concerns throughout the season were well founded, with the amount of wool sold through auction dropping by 296,326 bales year on year. This is a 16.6% decline. There was approximately 1.48 million bales transacted through the auction system. An additional weight was sold by private treaty and direct sales with a rough estimate of 177,000 bales sold this way based on the AWPFC figure of 298 million kgs of production.

Market purchasing this week was again dominated by the Chinese top makers, traders and downstream processors. Indent buying remains sparse. The reduction in supply in recent weeks and months has been outweighed significantly by the slowing in demand from the northern hemisphere which has had a strong effect throughout the supply chain. Next week sees the start of the new wool selling season and 34,500 bales is scheduled for sale.

AUD Commentary - SA (Southern Aurora) Markets

Even in low supply the poor demand and sentiment saw all merino qualities in the spot auction come off 80 cents. Selection of medium wools (21 and 22 microns) were so limited that AWEX were unable to provide a Micron Price Guide (MPG) quote in the Eastern States.

The forward markets pre-empted this fall with both grower and trade selling early in the week. 19.0 traded 2045 for August pre auction but slipped to 1985 by weeks end. September and October traded early at 1950 but had fallen to 1900 by the close Thursday. The pattern in bidding and trading on the 21.0 contract was similar. Bidding in the early spring months around 1950 was ignored. December traded at 1900 to 1920 and closed bidding 1875.

Opinions remain divided on the length and depth of the current retraction. Major cycle times have varied in the from 6 to 12 months and the retraction from 20 to 40%. Fundamental indicators are hard to establish with exporters are finding it difficult to write early spring /summer business. Processors remaining on the sidelines with concerns over the ongoing trade tensions freezing any action.

There is some speculative bidding in modest volumes. These levels indicate early stage support on 19.0 microns around 1870 to 1900 form September to December and 1850 to 1880 for 21.0 micron. These levels are 21% and 23% respectively under the peaks reach on those microns. 19.0 peaked at 2462 in August 2018 and 21.0 in February this year. A break of these levels point to a deeper retraction.

From a percentile point of view 1900 represents the 62nd level for 19.0 micron and 1880 the 74th level for 21.0 micron. The difference (basis) between 19 and 21.0 is still predicted to remain tight. The current auction has 21.0 trading at a premium to finer microns due to the lack of supply. Forward bidding indicates that the fine wool premium will return with the better spring selection but will remain modest.



Wool forwards report - SA (Southern Aurora) Markets

It was an up week for the Australian Dollar, as it moved steadily higher from Monday's open of .6921 through to Friday's high of .7008. Hopes that the meeting at the G20 summit in Osaka, Japan between Chinese President Xi Jinping and President Donald Trump may produce an outcome has buoyed global markets and has seen U.S Equities soar to a new record high. Already Japanese Prime Minister Shinzo Abe and President Xi Jinping have held bilateral meetings yesterday saying they want to promote "free and fair trade" and China want all tariffs lifted as well as the ban on Huawei. Tensions in the middle east helped hold crude oil prices higher and along with firm Iron Ore and Coal prices are supporting the current rebound in the Australian Dollar.

Technically the AUD/USD rebound could push through to the .7022 resistance then roll over and fall back to the 6940 support. A break higher above that however may see the rally push to .7150 then through to .7208 resistance. The break lower targets support at .6850 then .6810. We suggest the current small rally is corrective only, and the major trend of the AUD is lower.

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