

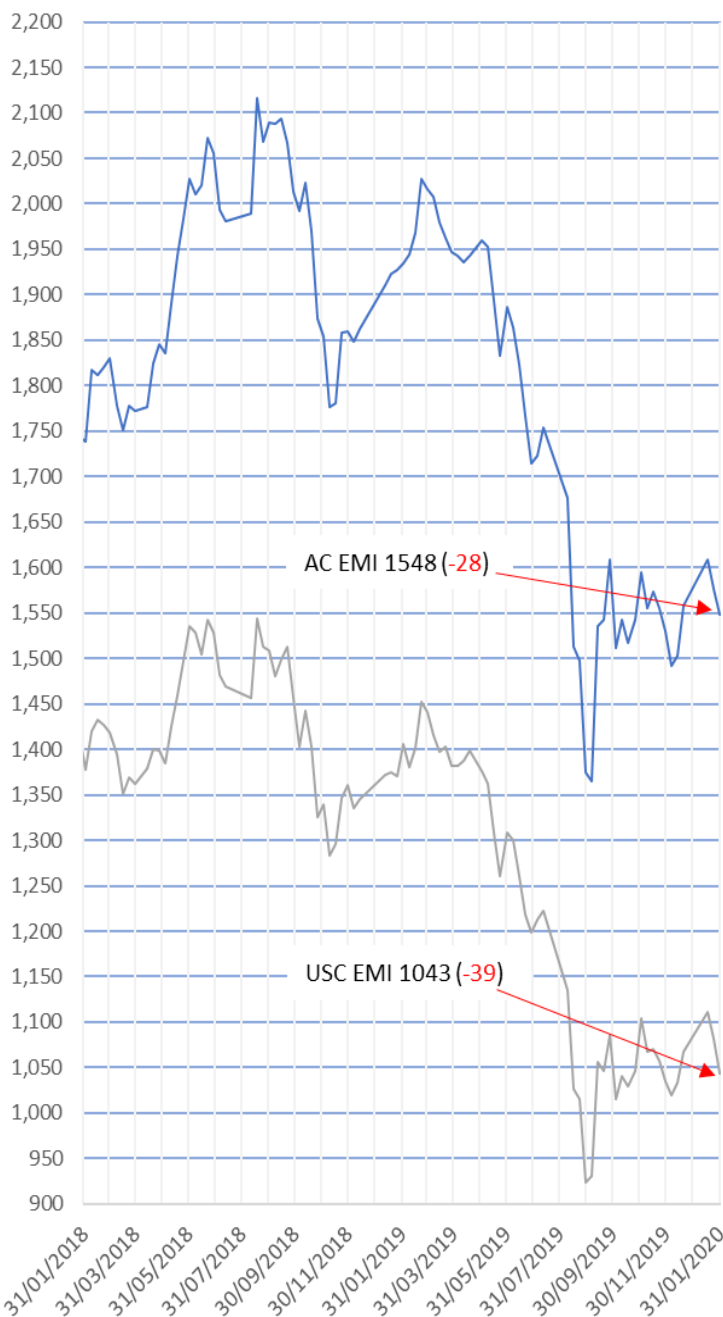
WOOL MARKET WEEKLY REPORT

Sale Week 31:31st Jan 2020



Offering—Aust. only		Currency movements			Eastern Market Indicator (EMI)			
Bales offered	33,700	AUD:USD	0.6739	- 1.86 %	AUD	1548 ac/kg	- 28 ac/kg	- 1.78 %
Passed-In %	28.8 %	AUD:CNY	4.6786	- 1.57 %	USD	1043 usc/kg	- 39 usc/kg	- 3.61 %
Bales Sold	24,002	AUD:EUR	0.6117	- 1.26 %	CNY	72.42 ¥/kg	- 2.49 ¥/kg	- 3.32 %
Season Sold	718,218	RBA close rates 30th Jan 2020			EUR	9.47 €/kg	- 0.29 €/kg	- 3.01 %

AWEX EMI weekly close as at 31st January 2020



AWEX Auction Micron Price Guides.

Sales held 29th and 30th January 2020

MPG	Sydney	Melbourne	Fremantle
17mic	2038 -44	2004 -69	-
18mic	1893 -24	1892 -30	1863n -26
19mic	1795 -14	1791 -12	1793 -2
20mic	1753 -25	1767 -9	1767 -5
21mic	1731n -35	1757 -1	1761n +2
22mic	-	1748n	-
23mic	-	-	-
24mic	-	-	-
25mic	-	-	-
26mic	1081n -30	1108n -8	-
28mic	803n -35	804 -31	-
30mic	-	649 -41	-
32mic	-	411n -28	-
MCar	1114n -31	1136n +5	1159n +2

Scheduled Australian Wool Auction Sales

Sale week commencing	2019/20 forecast	2018/19 actual
Week 32 03/02/2020	35,849 bales	39,894 bales
Week 33 10/02/2020	43,570 bales	40,165 bales
Week 34 17/02/2020	37,726 bales	39,968 bales

AWI Commentary

Australian wool auctions were initially adversely affected this week by the growing concerns of the viral outbreak, coronavirus, in China. The long weekend in Australia and the Lunar New Year brought only bad news as all global markets retreated to safety amid an atmosphere of caution in a very unknown situation. As more news of the virus was made public, the less confidence buyers had about getting orders from China to operate at auction for the opening.

The wool demand scenario at the close of last week had appeared to have settled and confidence restored somewhat, but this evaporated immediately upon commencement of selling on Wednesday this week. Restrictions on travel within China and a weeks extension of their annual New Years holidays had signalled the Chinese government's high concern of the potential impact of the disease and many commentators were comparing it to the 5-month long SARS outbreak of 2003 which played havoc on local markets.

The Australian Wool Exchange (AWEX) Eastern Market Indicator (EMI) lost 28ac or 1.8% this week to close at 1548ac clean/kg. The EMI in US dollars (USD) was pushed even lower by a substantially weaker Australian dollar (AUD). The foreign exchange (forex) rate was 1.9% lower and made up half of the 3.6% depreciation of the USD EMI which moved down 39usc to a 1043usc clean/kg. Once again the overseas manufacturers using USD to buy wool were the recipients of a much cheaper buy price.

Sales commenced on Wednesday to a dreadful tone, with most sale room operators choosing to sit and watch. Just two or three buyers were active which resulted in pass in rates overall of 37%. Noticeably, almost 50% of the Merino fleece failed to meet the vendors reserves. By the end of the day Merino fleece and skirting types finer than 18.5 micron had 80 to 100ac wiped off their values and all descriptions broader than 18.5 micron were a general 30 to 50ac lower. Crossbreds traded 50ac cheaper and cardings 20 to 30ac lower.

Thursday brought about a radical change in sentiment though, as most buyers reverted to normal purchasing strategies. A complete 180 degree change occurred as almost all operators were keen to buy from the outset. The day's offering had been drastically reduced by growers withdrawing their clips prior to auction which placed additional pressure on an already hot market place.

Wool prices across all types and descriptions rose substantially and a recovery was seemingly well underway, adding to an ever increasing sense of confusion amongst traders and wool participants. More than half of the losses of the previous day had been reinstated on the superfine Merino (finer than 18.5 mic) types making them 30 to 40ac cheaper for the weekly result. The broader Merino wool prices clawed their way back to within 10ac of their weeks opening levels. Crossbreds regained 20ac to be 30ac cheaper for the week and cardings ended up being largely unchanged.

The standout of this week's buying activity was the strength of interest emanating from the world's largest top maker from Europe across the Merino fleece and skirtings. Traders were active and indents from China also played their part. The carding sector was completely dominated by local processors causing traders to fight hard to try and secure quantity.

When markets, of any type, are affected by such sudden and outside influences as witnessed this week, true demand signals are often shrouded and can lead to false price movements. This week we could gather no clear direction as to what that is as both days of selling produced polar opposites in price trajectory. All we can hope for is a quick resolution to the virus and a restoration to health by those affected.

Next week has 36,000 bales scheduled for auction.

Forward Markets Commentary—Southern Aurora

Volatility that seemed to abate last week returned with a vengeance. Concerned with the fall out from the coronavirus and anticipated closing of the mills for an extended Lunar New Year, the spot auction fell significantly on Wednesday only to partially recover on Thursday.

The forward market has been stagnant for weeks and traded lightly again with buyers looking to find a base and sellers trying to offload some risk. March traded 21.0 micron on Tuesday at 1760ac clean/kg then 19.0 micron March on Thursday at 1800 and 1825 as the market rallied.

With volatility still high growers should set target into the autumn and look to execute hedges on the rallies.

Anticipated trading levels next week

	19.0 mic	21.0 mic
Jan/Feb	1820	1770
March/April	1820	1770
May/June	1790	1740

Traded this week

19.0	March	1800/1825	7.5t	Closing cash	1793
21.0	March	1760	5t	Closing cash	1744
Total 12.5t					

AUD Commentary—Southern Aurora

The Australian Dollar has been under pressure all week, falling from Monday's open of .6818 to a four month low of .6698 on Thursday night after the WHO (World Health Organisation) meeting in Geneva declared the China Coronavirus a Public Health Emergency. Today (Friday) the Aussie has edged a little higher, to .6716, however the AUD and NZD are particularly vulnerable to further falls given their huge dependence on China trade. Interestingly U.S Markets shrugged off the news as the USD lifted and Wall Street closed 125 points higher, a solid recovery from the 244 point slide earlier in the session. Data out of the U.S was also positive on GDP and Employment. Earlier this week the Westpac-Melbourne Institute Leading Index signalled weak economic momentum continuing for Australia in the first half of 2020 as the December number lifted to -0.32% from -0.62% in November. The Index has now below zero for the thirteen straight months. The Reserve Bank of Australia Board meet on February 4 and Westpac's Chief Economist Bill Evans expects that the bank to hold the cash rate steady, however, he said the decision is likely to be a temporary pause in the rate cut cycle. This week also Australia CPI Data was released showing Australia's Inflation edged higher at 1.8% as consumer prices advanced 0.7 percent in the fourth quarter of 2019. That was above 0.6% expected up from 0.5% of the previous quarter.

Technically the AUD has broken short term support at .6820 and is likely to fall to the old low at .6670, which is an area of strong support, though for the moment the AUD is oversold a small bounce is more likely. On the weekly charts the Aussie has broken out of its long term downtrend and is forming a large, but volatile base. We still maintain our view that the Aussie is likely to re-test support and break to new lows over the coming weeks.