



Offering—Aust. only		Currency movements			Eastern Market Indicator (EMI)			
Bales offered	30,562	AUD:USD	0.6760	+ 0.31 %	AUD	1548 ac/kg	+ 29 ac/kg	+ 1.87 %
Passed-In %	14.8 %	AUD:CNY	4.7053	+ 0.57 %	USD	1066 usc/kg	+ 23 usc/kg	+ 2.13 %
Bales Sold	26,027	AUD:EUR	0.6148	+ 0.51 %	CNY	74.20 ¥/kg	+ 1.78 ¥/kg	+ 2.45 %
Season Sold	744,245	RBA close rates 6th Feb 2020			EUR	9.70 €/kg	+ 0.23 €/kg	+ 2.39 %

AWEX EMI weekly close as at 7th February 2020



AWEX Auction Micron Price Guides.

Sales held 5th and 6th February 2020

MPG	Sydney	Melbourne	Fremantle
17mic	2080 +42	2078 +74	-
18mic	1943 +50	1922 +30	1888n +25
19mic	1834 +39	1825 +34	1818 +25
20mic	1800 +47	1796 +29	1799 +32
21mic	1789n +58	1793 +36	1794n +33
22mic	-	-	-
23mic	-	-	-
24mic	-	-	-
25mic	-	-	-
26mic	1091n +10	1104n -4	-
28mic	819n +16	821 +17	-
30mic	-	663 +14	-
32mic	-	415n +4	-
MCar	1118n +4	1157n +21	1168n +9

Scheduled Australian Wool Auction Sales

Sale week commencing	2019/20 forecast	2018/19 actual
Week 33 10/02/2020	42,932 bales	40,165 bales
Week 34 17/02/2020	36,381 bales	39,968 bales
Week 35 24/02/2020	37,485 bales	48,948 bales

## AWI Commentary

Surprising sale results this week at the Australian wool auctions as almost all wool types and descriptions appreciated in value. Expectations were of a wool market that would be ravaged by the turmoil caused to the Chinese normal working environment by the growing coronavirus outbreak. These thoughts were quickly extinguished though with strong European interest being met by a tenacious purchasing appetite from a large Chinese top maker.

The radical change to a more confident sentiment that became apparent at the end of last weeks selling continued into this week from the opening hour of selling onward throughout selling. In what should be a good indicator of the markets potential to stabilize and perhaps further improve, is that the two major influences on pricing this week were first stage processors. As these two entities accumulated quantity, it wasn't long before the local trading houses took the affirmative lead that those two influential operators provided and upped their own buying rates accordingly.

The Australian Wool Exchange (AWEX) Eastern Market Indicator (EMI) gained 29ac or 1.9% this week to close at 1577ac clean/kg. This completely eliminated the losses of last week. The EMI in US dollars (USD) was similarly dearer and pushed 2.1% or 23usc higher to close the week at 1066usc clean/kg.

The market was given some stimulus by the USD v AUD foreign exchange (forex) rate trading under the 0.67 level earlier in the week. The AUD is normally included in an Asian region currency bundle and it was this basket that came under pressure against major currencies. It was mainly foreign investors that pulled their money out of those AUD investments upon fears that the China coronavirus will stifle growth and therefore potentially dampen investment returns. The Reserve Bank of Australia's (RBA) decision to maintain interest rates helped push that rate back into the 0.67's as the week progressed.

Merino fleece and skirting types finer than 18.5 micron gained a general 50 to 70ac for the week, but the sale lots with the better specifications gained upwards of 100ac or more. Conversely the lowest specs remained unchanged at best. The 18.5 micron and broader wools were a general 25 to 40ac dearer but once again made up by the better specifications being 65ac dearer and the lower edge just firm. In all cases it was the European top maker that attacked the better wools and forced others into setting higher limits. Crossbreds and cardings traded consistently stronger throughout and managed to be 10 to 20ac dearer by weeks end.

Consistent to the season long approach, grower resistance to price acceptance was still evident with over 10% of the original offering withdrawn from sale prior to auction and a subsequent 15% being passed in after failing to meet the vendors reserves.

Next week has around 43,000 bales scheduled for auction.

## AWTA Key Test Data - as at end January 2020

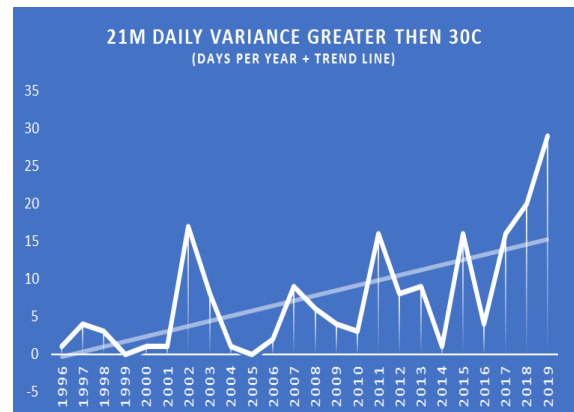
- The monthly comparisons of total weight for January 2020 compared with the same period last season reveal that 4.3% less wool was tested for the month.
- The progressive comparison of total weight for July 2019 to January 2020 compared with the same period last season shows 5% less wool tested.
- AWTA Ltd has tested 178.6 mkg (million kilograms) this season compared with 188.0 mkg for the equivalent period last season.

## Forward Markets Commentary—Southern Aurora

Both the spot auction and the forward market stabilised this week. This was in line with other major commodities as trader's confidence grew that the Coronavirus may not have the large economic impact as first feared.

Trading is still light on the forwards but levels creep up with the 21.0 micron index trading above 1800. It is hoped that this will bring out further action from sellers as this level represents the 85<sup>th</sup> percentile of prices for the last decade.

Valuing certainty of a percentage of production should be paramount in this volatile landscape. On more than 25% of trading days last year the price of 21.0 wool more up or down more than 30 cents. This year with only one month under our belt we have had four such occasions (1 up and 3 down).



The best defence against this sawtooth market is better liquidity in the forwards. This requires more consistent involvement right along the pipeline giving buyers and sellers improved market

## AUD Commentary—Southern Aurora

Global markets surprised many with this weeks rebound as news out of China suggests the coronavirus virus infection is still rapidly spreading.

However positive economic news out of the U.S continues to impress, with U.S Corporate profits higher than expected rising by 2.1% in the quarter and helping the Dow to a record high, and a 4th straight session rise. Overnight the Dow closed at 29,379.77.

Markets were also helped by the formal acquittal on Wednesday of U.S. President Donald Trump on impeachment charges. However the biggest news of the week was China's announcement to halve the tariffs on \$75 billion in US imports. The move is part of the phase one trade deal, and is timed to start on February 14 when the US reduces tariffs on some Chinese products.

These announcements helped the AUD rally from the weeks low on Monday of .6678 to the weeks high on Thursday of .6775 before easing today (Friday) to .6748.

Technically the AUD remains bound within a broad sideways trading pattern capped at .6830 and with support at .6680. For the time being we see it range trading before retesting the lows over the coming weeks.