



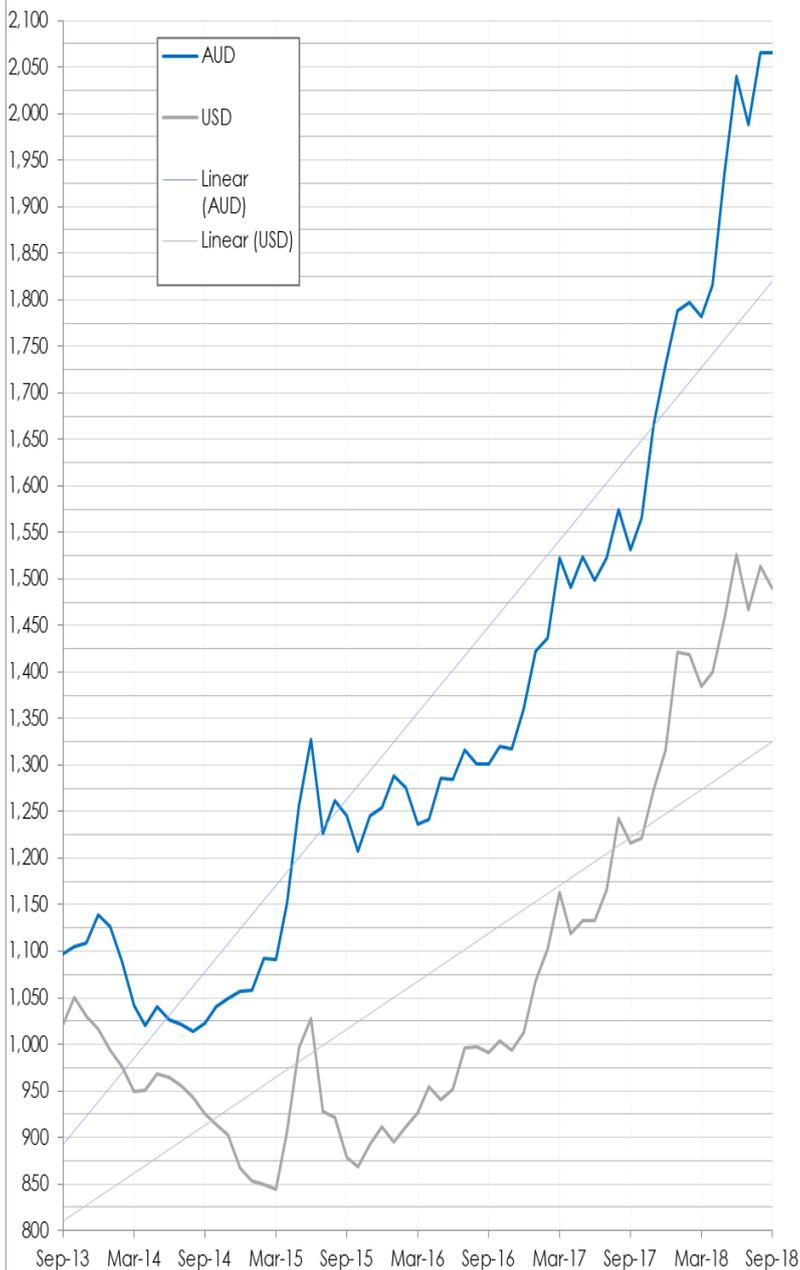
WOOL MARKET WEEKLY REPORT

Sale Week 15: 12th Oct 2018



Offering—Aust. only		Currency movements			Eastern Market Indicator (EMI)			
Bales offered	32,072	AUD:USD	0.7072	-0.18%	AUD	2023ac/kg	+31ac/kg	+1.56%
Passed-In %	7.4 %	AUD:CNY	4.9025	+0.74%	USD	1431 usc/kg	+20 usc/kg	+1.37%
Bales Sold	29,709	AUD:EUR	0.6117	-0.92%	CNY	99.18 ¥/kg	+2.24 ¥/kg	+2.31%
Season Sold	412,197	RBA close Thurs 11th Oct 2018			EUR	12.37€/kg	+0.07 €/kg	+0.62%

5 Year AWEX EMI monthly average end September 2018



AWEX Auction Micron Price Guides.

Sales held Wed 10th and Thurs 11th October 2018

MPG	Sydney	Melbourne	Fremantle
17mic	2857 -13	2775 +2	-
18mic	2593 +10	2563 +21	2485n -8
19mic	2381 +35	2389 +43	2356 +33
20mic	2278 +53	2278 +57	2252 +45
21mic	2243 +57	2263 +97	2217 +42
22mic	-	2262 +96	-
23mic	-	2206n +56	-
24mic	-	1978n -22	-
25mic	1655n -29	1663n +14	-
26mic	1331n -20	-	-
28mic	906n +2	860 -20	-
30mic	711n +10	768 +39	-
32mic	-	498n +7	-
MCar	1382 -3	1410n -28	1400n+11

Scheduled Australian Wool Auction Sales

Sale week commencing	2018/19 forecast	2017/18 actual
Week 16 15/10/2018	37,664 bales	45,792 bales
Week 17 22/10/2018	36,801 bales	42,875 bales
Week 18 29/10/2018	37,571 bales	45,539 bales

AWI Commentary

Australian wool auction sales this week extended upon the positive sentiments that arose at the conclusion of last week's sales. The Merino sector led the charge, with buyer attention well and truly biased towards the fine and medium (18.5 to 23 micron) types of all descriptions. The apprehension seen over the past month has dissipated almost entirely, with the exception of a few pockets of wool types in the carding room and some of the finer crossbred wools around the 26 to 27 micron. The Australian Wool Exchange (AWEX) Eastern Market Indicator (EMI) gained 1.56% or 31ac to head over the 2000 mark again to close at 2023ac clean/kg. In US Dollar (USD) terms the indicator moved similarly dearer by 20usc or 1.37% higher to 1431 usc clean/kg.

The dearer results in the market levels were very much aided by the lower AUD v USD rate early in the weeks selling. Buyers were able to utilize some of the best conversion rates seen since the end of 2015 in that rate of exchange. At times during the Wednesday auction the rate bottomed at .7059 before recovering somewhat to near .7100 on the final day, which slowed, but didn't stop the prices rising further, particularly noticeable being the partial recovery on the European types finer than 18.5 micron, which escalated 50 to 60ac just on the final day to regain a lot of the recently lost margins.

The buyer competition in the Merino sale room was some of the fiercest seen for quite some time as exporters scrambled to cover off inventory. The targeted zone of interest was primarily centred around the 21 micron area as that is the production area most heavily hit by destocking and drought. In many instances, sale lots across the 20 to 23 micron area were 100ac dearer than the previous week. The finer wools were not neglected either as the 18 to 18.5 wools became 25 to 50ac dearer over the course of selling. China was the predominant interest across all wools from 18 to 23 micron and it appears some of the larger top maker buyers have decided now is the time to commence ensuring supply for upcoming machinery demands.

Industry focus is rightfully being shepherded towards the global wool supply issue, and it is now considered and recognized as a real concern and not just a bombastic buyer/exporter approach to encourage sales from overseas export destinations. The official key test data from Australia extensively reported last week was further re-enforced by the three week forecast released this week revealing an estimated shortfall of 22,170 bales or 16.5% less being offered for the remainder of October compared to last year at the same period. This time of the year is considered as peak production. Next week has just under 38,000 bales being offered.

INDUSTRY NEWS

The Australian Wool Production Forecasting Committee (AWPFC) will meet on Wednesday, 14th November to review its forecast of shorn wool production for 2018/19. This is a month earlier than planned.

In August, the Committee commented that *"how the season progresses over the next couple of months will be very important for overall production levels this season."* The seasonal conditions have remained difficult in many, but not all, of the major wool producing regions, notably in New South Wales, Queensland and parts of South Australia and Victoria.

The global wool textile industry is keeping a close eye on the wool supply likely to be available in Australia, so the Committee has decided that, an earlier, considered assessment to the forecast would provide the updated information to the market.

Wool forwards report - Southern Aurora Markets

The forward market pushed higher early in the week pre-empting the consolidation in the spot auction Wednesday. After three weeks of steady decline that saw the key 21.0 micron index lose 120 cents the auction found a base to rebound. The forward markets were bid around spot out to Christmas but failed to attract much grower interest. Trading focus predominantly in the new year with levels executed around last week's spot level. The highlight was June 2019 trading at 2165 which is over the 80th percentile for the last two years. Finer microns were well sort into the new year trading at 2510 for 18.0 microns out to May 2019. This was a little surprising considering their fairly muted recovery in the spot auction.

With some relief to the extended dry conditions throughout much of Eastern Australia this last week, and forecast again next week, grower enquiry lifted but has yet to translate into firm offering. Exporters and processors bidding has seen the invert in the later months providing ample opportunity for growers to transfer some price risk down the pipeline.

We anticipate the spot auction to consolidate the gains of this week in the short term particularly in the medium wools. Just how much demand destruction and substitution will factor into the supply / demand balance remains to be seen in the run to Christmas. Valuing certainty of return this season might prove more important than the fear of lost opportunity.

Trade Summary

October	18.0u	2520ac	2t
January	21.0u	2200ac	4t
February	18.0u	2500ac	2.5t
March	21.0u	2155/2160ac	7t
April	18.0u	2495ac	4t
April	21.0u	2165ac	10t
May	18.0u	2510ac	10t
May	21.0u	2130ac	2t
June	21.0u	2165ac	5t
	Total		46.5t

AUD Commentary - Southern Aurora Markets

It was a big week in global financial markets, with U.S. Bond Yield rising, and the Dow Jones tumbling in its biggest fall since February this year, losing 1,378 points in just three sessions closing overnight at 25,052.0. Friday saw some better news, as U.S. inflation data surprised coming in lower than expected, helping to calm markets. The CPI slowed from 2.7% to 2.3% against a background of a booming economy and record low unemployment.

The CPI release triggered a sell-off in the USD and a rally in the Australian Dollar to .7126 today (Friday) against Monday's low of .7040. The USD was also pressured when St. Louis Fed President James Bullard said "with respect to the monetary policy we have already reached a point where interest rates are in a good position, and the Fed should now wait for a while". Surprisingly key Commodities prices such as Iron Ore and Coal prices were largely unaffected by the financial turmoil.

Technically the Australian Dollar bounced of the .7040 support level several times this week, however the bigger chart pattern still suggests the Aussie is headed lower. The rally of the last 24 hours may actually go further, possibly to previous resistance at .7320. On the downside, should we break the .7040 support, the Aussie is likely to fall to the next support at .6954.

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