

# WOOL MARKET WEEKLY REPORT

Sale Week 48: Fri 2nd June 2017



| Offering—Aust. only |           | Currency movements                 |        |          | Eastern Market Indicator (EMI) |                   |                   |                |
|---------------------|-----------|------------------------------------|--------|----------|--------------------------------|-------------------|-------------------|----------------|
| Bales offered       | 28,459    | AUD:USD                            | 0.7403 | - 1.42 % | AUD                            | <b>1472 ac/kg</b> | <b>- 23 ac/kg</b> | <b>- 1.54%</b> |
| Passed-In %         | 12.2 %    | AUD:CNY                            | 5.0312 | - 2.52 % | USD                            | 1090 usc/kg       | - 33 usc/kg       | - 2.94%        |
| Bales Sold          | 24,976    | AUD:EUR                            | 0.6587 | - 1.38 % | CNY                            | 74.06 ¥/kg        | - 3.10 ¥/kg       | - 4.01%        |
| Season Sold         | 1,606,527 | RBA close rates Thur 1st June 2017 |        |          | EUR                            | 9.70 €/kg         | - 0.29 €/kg       | - 2.89%        |

Monthly EMI tracking end MAY 2017



## AWEX Auction Micron Price Guides.

Sales were held Wed 31st May & Thurs 1st June.

| MPG   | Sydney           | Melbourne        | Fremantle        |
|-------|------------------|------------------|------------------|
| 17mic | 2183n <b>-82</b> | 2132 <b>-85</b>  |                  |
| 18mic | 2088 <b>-60</b>  | 2042 <b>-60</b>  | -                |
| 19mic | 1836 <b>-55</b>  | 1811 <b>-61</b>  | 1812n <b>-82</b> |
| 20mic | 1564 <b>-26</b>  | 1553 <b>-24</b>  | 1529 <b>-20</b>  |
| 21mic | 1476n <b>-1</b>  | 1483 <b>+6</b>   | 1459 <b>-12</b>  |
| 22mic | -                | 1416 <b>+1</b>   | 1407n <b>+14</b> |
| 23mic | -                | 1347 <b>+8</b>   | -                |
| 24mic | -                | -                | -                |
| 25mic | -                | -                | -                |
| 26mic | 1053n <b>+8</b>  | 1073n <b>+8</b>  | -                |
| 28mic | 755n =           | 755n <b>+6</b>   | -                |
| 30mic | 563n =           | 536n <b>-30</b>  | -                |
| 32mic | 392n             | 389n             | -                |
| MCard | 1180n =          | 1177n <b>-24</b> | 1199n <b>+2</b>  |

## Scheduled Australian Wool Auction Sales

| Sale week commencing  | 2016/17 forecast | 2015/16 actual |
|-----------------------|------------------|----------------|
| Week 49<br>05/06/2017 | 25,278 bales     | 32,043 bales   |
| Week 50<br>12/06/2017 | 32,993 bales     | 27,231 bales   |
| Week 51<br>19/06/2017 | 24,910 bales     | 31,672 bales   |

## Riemann Wool Platform- Forward trades past week

| Maturity month   | Type        | Price       | Trade weight      |
|------------------|-------------|-------------|-------------------|
| June 2017        | 19.0 micron | 1840 / 1850 | 7,000             |
| June 2017        | 21.0 micron | 1470        | 10,000            |
| July 2017        | 19.0 micron | 1800        | 3,500             |
| July 2017        | 20.0 micron | 1540        | 5,000             |
| September 2017   | 21.0 micron | 1400        | 10,000            |
| <b>Total kgs</b> |             |             | <b>35,500 kgs</b> |

The softening of price levels at Australian auction markets continued into this week. Merino Wool's 19.5 micron and finer were most affected but very stable market pricing was evident across all other wool types. With the Northern Hemisphere, and particularly China, hitting the traditionally slow retail demand period of early summer, the overseas manufacturers can afford a little wait and see approach. It appears the finest Merino types have taken the brunt of that slow down.

The AWEX EMI (eastern market indicator) decreased by around 1.5% for the week or 23ac/clean kg lower to close at 1472ac/clean kg. This is a level 176ac/clean kg or 13.6% higher than at the same period last season. With the weaker AUD v USD exchange, the movement was greater when the EMI is measured in USD to be almost 3% cheaper, or 33usc/clean kg lower for the week at 1088usc/clean kg.

Although the tone was generally weak throughout, it was a market of stark contrasts in sale results. All of the lower quality or heavier vm (vegetable matter) Merino types finer than 19.5 micron faltered badly. In many instances these wools were well over 100ac/clean kg cheaper for the week. The finest microns were the most adversely affected, with all the price gaps appearing to contract towards the relative stability and more readily traded 21 micron type.

Conversely though, buyers sights were firmly aimed at the better superfine (finer than 18.6mic) types and all lots broader than 20 micron. Both these sectors were well supported and fully firm to slightly dearer for wools broader than 20 micron. The very small selection of 21.5 to 23 micron wools were highly sought and concluded the week at levels 15 to 20ac dearer than the previous close.

Fine Crossbreds were dearer and the mid to broader range cheaper, albeit in a very small offering. In particularly good demand were the better wools of 23 to 27 micron, which in some individual cases were as much as 40ac clean kg dearer. Unusually high discrepancies of 30ac exist between the Sydney and Melbourne markets for mid range crossbreds 27.5 to 30micron, perhaps indicative of the segment being at a period of unknown and slow demand.

Cardings were well maintained, but Melbourne adjusted downward within these types to basically align closer to the Sydney price levels. Prices continue to be at significantly good levels in comparison to other wool sectors, and competition keen.

Next week has an extremely limited offering of just 25,000 bales. Some reports say the market is struggling to come to terms with a pricing strategy for the upcoming Northern hemisphere autumn/winter, particularly for Merino wools finer than 19 micron as the prices are still at historically and relatively high levels. Manufacturing needs to increase productivity come August/September to cater for the key retail period late Autumn/Winter, so the next few weeks should see better buying interest and hopefully some stability return to the auction.

The Australian Dollar is at a major tipping point, sitting precariously this Friday at .7375, well down from Wednesday's high of .7468. Overnight the Aussie took a tumble, being the weakest of the G10 currencies as traders fret over next weeks Australian Q1GDP data. The fall was spurred by the release yesterday of weak manufacturing data in China, and a strong rally overnight in the USD, ahead of tonight's U.S Employment Report, which is expected to be strong and confirm a rebounding economy and an almost certain U.S Rate hike for June. Overnight also, the S&P500 and Nasdaq Stock Index's hit new record highs.

We say the AUD is at a tipping point as domestic data shows a softening economy, with the Treasurer confirming yesterday that the economy would not hit its budget growth targets. Key commodity prices fell further, with Iron ore prices extending the drop from late February this year to 41%.

Lurking behind the immediate data, S&P Global Ratings has cast doubts over Australia's budget projections and warned that the Big Four banks are undermining the nation's ability to hold on to its coveted top notch credit score. It said Australia, one of only 12 AAA rated, is the only country with a large external debt, and that has surged through the \$1 trillion mark, with domestic banks largely to blame". The lenders raised the cash from credit markets to fund a housing boom that has seen prices in Sydney double since 2009. Australia has gone from being a net creditor to a net debtor since the 2008 crisis. A China slowdown would hit the Aussie economy particularly hard. The RBA may yet to be forced to cut rates.

Technically the Aussie is likely to test the short term support at .7345. A break of that, that would open a re-test of the January low of .7160.

### Southern Aurora Wool forwards report

The market struggled at auction and in the front months of the forwards. Lack of off shore demand signals, particularly in the finer wools, saw pressure on prices continue. Although most fine wools have lost 150 cents over the last fortnight they are only back to pre Easter levels and are 200 cents above the start of the year and up to 500 cents above the same time last year. This partially explains the reluctance of buyers into the spring and the discounts to spot. The 19.0 micron index traded from 1478 to 1567 August through to end October averaging 1514. Forward interest for those month is holding around 1700.

The picture on the 21.0 micron a little different. The price range throughout the season has been quite wide (1350 to 1538) and volatility high. Supply pressure has held prices above 1400 for majority of the season and is trading at a slight discount to spot out to July (1455 to 1470). The spring levels have held well in comparison to the fine wools with the key 1400 level trading again this week.

Anticipated levels next week

|           |                   |                   |
|-----------|-------------------|-------------------|
| June/July | 19.0 1770 to 1800 | 21.0 1460 to 1475 |
| August    | 19.0 1720 to 1750 | 21.0 1400 to 1405 |
| September | 19.0 1700 to 1740 | 21.0 1390 to 1400 |
| October   | 19.0 1670 to 1700 | 21.0 1370 to 1390 |

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