

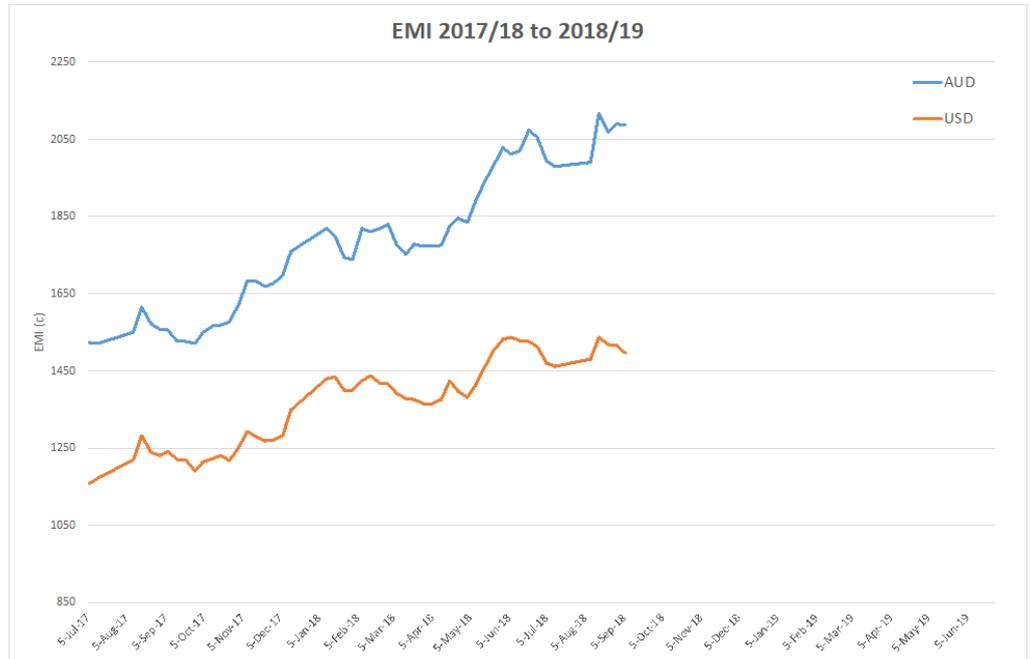


# MOSES & SON

WOOLBROKERS MERCHANDISE LIVESTOCK

## Week 10: 06/09/2018

The AWEX EMI closed the week on 2088c, down 2c at auction sales in Australia. It was a tale of conflicting markets on the offering of 38516 bales, with the Northern Market Indicator increasing by 8c (2153c), the Southern Market slipping 8c (2047c) and the Western Market Indicator remaining unchanged (2255c). Eventually 96% of the bales offered achieved a sale as the Eastern Market Indicator hold a 34% premium over the similar period last year's EMI of 1556c.



**Merino Fleece** (Northern Market) posted general rises across the range with the exception of the 16.5 and 17.5 MPG's which fell 36c and 8c respectively. Competition from the European exporters was again focussed on the best style and measured lots was clearly firm on last week's prices. The Superfine and Fine MPG's enjoyed rises of 20-30c whilst the Medium Merino MPG's were par to 13c dearer. Conversely it was red ink in the Southern Merino MPG's with the price falls ranging from 6-71c. The only positive in the south was the 23 MPG which had an increase of 23c (on a nominal quote). **Merino Skirtings** were relatively solid in both centres, as was the case also with the **Merino Carding** Indicator across the three centres. **Crossbreds** (the smallest national offering in 3 years) was met with some hesitation, which resulted in varied results across the centres. Sydney was relatively unchanged whilst the Melbourne Market had more violent swings in the MPG's with range varying from -48c to + 20c.

MPG North	Percentile	6/09/2018	31/08/2018	Variance	5 Year Average	5 year var	5 year % var
17	99.8%	2,989	2,968	21	2,057	932	45.3%
18	99.8%	2,669	2,651	18	1,910	759	39.8%
19	99.8%	2,443	2,418	25	1,755	688	39.2%
20	99.4%	2,324	2,311	13	1,655	669	40.4%
21	99.2%	2,285	2,286	-1	1,616	669	41.4%
22	99.6%	2,259	2,259	0	1,580	679	43.0%
30	88.8%	728	731	-3	679	49	7.2%
EMI	99.9%	2,088	2,090	-2	1,325	763	57.6%

The Market was aided with favourable currency exchange with the value of the EMI in USD falling by 19c, whilst searching for support early in the week as the EMI put on 11c on Wednesday. This positive emotion was short lived as the EMI gave back 13c on Thursday. This was balanced out by the realisation that the year on year offerings have progressively fallen around 12.5% or down 39,192 bales to date. Whilst the drought is having an impact on bales available for the market the other realisation is that the current offering percentage of best style wool (MF4) had fallen to 24% of the offering from the same time last year's 35%. In addition to this the merino fleece bales offered to date with less than 1% VM has fallen from 50% of the offering to and YTD 42% of the offering. The year on year Staple Strength and Position of Break have shown little movement so far, however, with some rain measured across NSW this



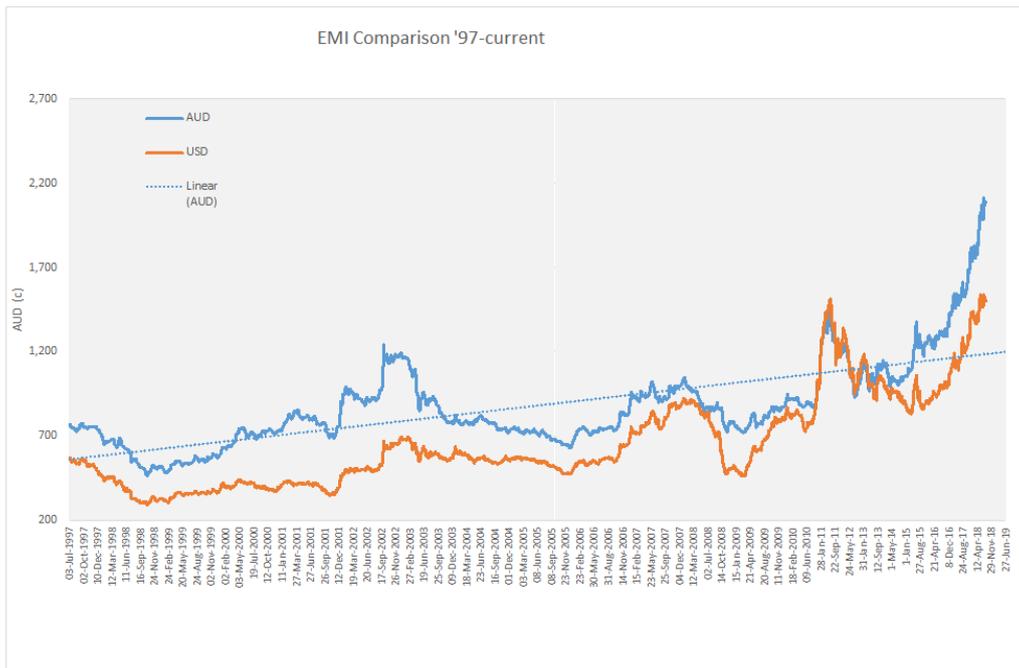
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week we would expect the change in feed conditions may start the late onset of a break in the staple strength in a few months' time. The Test data released by AWTA this week also indicates that there has been 7% less wool tested in August and the July to August number is down 5.7% (the same decrease as predicted by the Wool Production Forecasting Committee).

**SAW Forward Price report:** The week started confidently with sentiment around supply and the weakening AUD delivering strong bids into the New Year.

The result was hedge levels for 19.0 achieving 2250 in January and February and 21.0 reaching 2150 for early in the year and 2120 out to June. A lacklustre week at auction has again confirmed the unpredictable nature of the current market and has exporters and processors reassessing risk on a daily basis. It also highlights the value of having prices in the market to capture the volatility and spread that risk along the pipeline. Gaining price certainty over a percentage of the next shearing should be a target for growers. Forward prices offered at present (although discounted to spot) represent around the 90<sup>th</sup> percentile band for the last two years. That means that the spot market has only achieved those levels around 20 times in the last 200 auction days. The market may continue to go up from these levels and hopefully it will with new demand creation outstripping demand destruction that comes with higher prices. The valuing of price certainty is fundamental to a risk management strategy ~ **Michael Avery**



Region	Centre	6/09/2018	31/08/2018	Variance	Bales Offered	Bales Sold	Pass-in%	Next Sale Offering
Northern	Sydney	2,153	2,145	8	10,898	10,597	2.8%	10,370
Southern	Melbourne	2,047	2,055	-8	20,141	19,349	3.9%	18,546
Western	Fremantle	2,255	2,255	0	6,998	6,571	6.1%	5,666
National	AWEX EMI	2,088	2,090	-2	38,516	36,927	4.1%	34,582

34,582 bales will be offer in Australia next week. Given the market movements this week I would suggest that the caution experienced in the sale room on Thursday this week may continue into next week, however in my opinion the price level at the minute is nothing short of extraordinary. It's a great time to be in Sheep and Wool ☺ ~ **Marty Moses**

Moses & Son Top price report							
Desc	District	Micron	Yield	VM	SL	SS	Price
AAA M	Wyalong	17.3	70.5	1.7	82	47	2031
AAA M LMS	Wagga Wagga	15.5	61.6	2.7	73	38	1896
AAA M	Condobolin	16.9	66.1	2.6	71	45	1888
AAA M	Young	16.5	63.1	2.7	80	35	1846
AAAA M	Temora	17.4	64.6	1.4	84	47	1822