



MOSES & SON

WOOLBROKERS MERCHANDISE LIVESTOCK

Week 16: 18/10/2018

The AWEX EMI closed on 1970c - down 53c at auction sales in Australia this week. The complete trend reversal of the expected firm result on last weeks close could not be fully apportioned to the volume nor the currency movement despite the EMI value in USD losing just 25c.

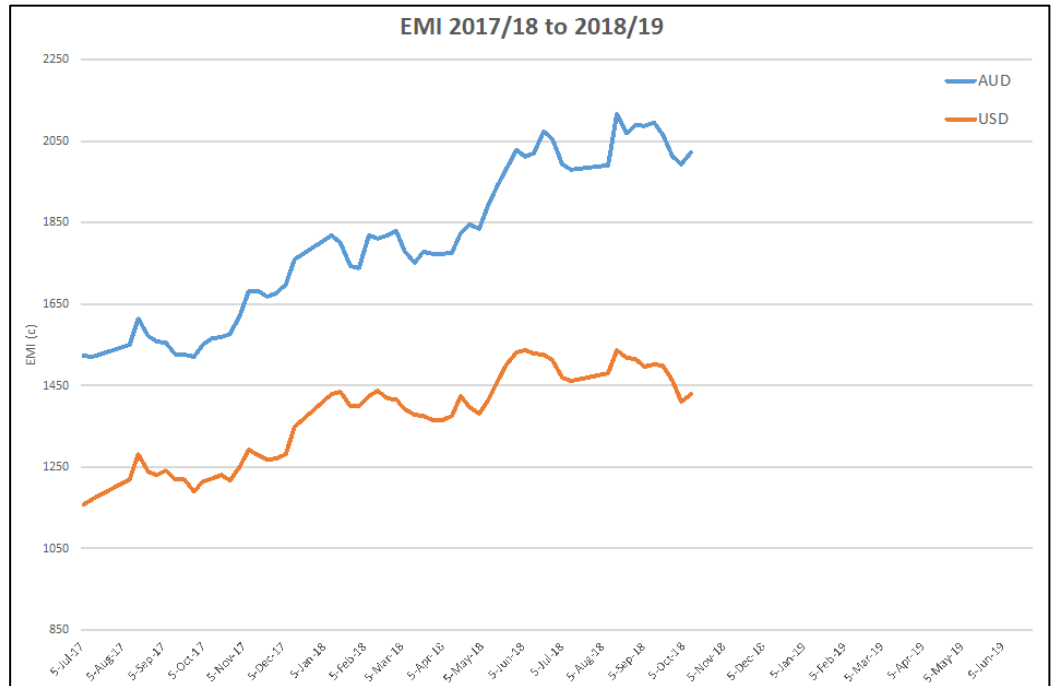
Merino Fleece was the heaviest affected in this week's offering. It seems the sharp increased quantities of ultrafine lots came under the most pressure in a week of negative sentiment. Sub 19

MPG's gave up 50-75c whilst the ultrafine lots Sub 17 MPG's posted the biggest losses of up to 123c. Conversely, the least affected MPG's in the Northern Markets were the 20-22MPG's which lost 15-20c, which was more aligned with the currency exchange adjustment.

Merino Skirtings tracked the fleece movements with the sub 18.5 MPG taking heaviest hit.

Crossbreds were in a different realm, maintaining good price support with the volume offered operating within 10c of the previous week's prices, and given the currency exchange movements, was a pleasing result.

Merino Cardings were the worst performer in the week in % terms, with losses of 83c posted in the Northern markets and 106c and 112c losses in the Southern and Western Markets respectively. Cardings have now accrued losses 264c (17%) in the past 6 weeks.



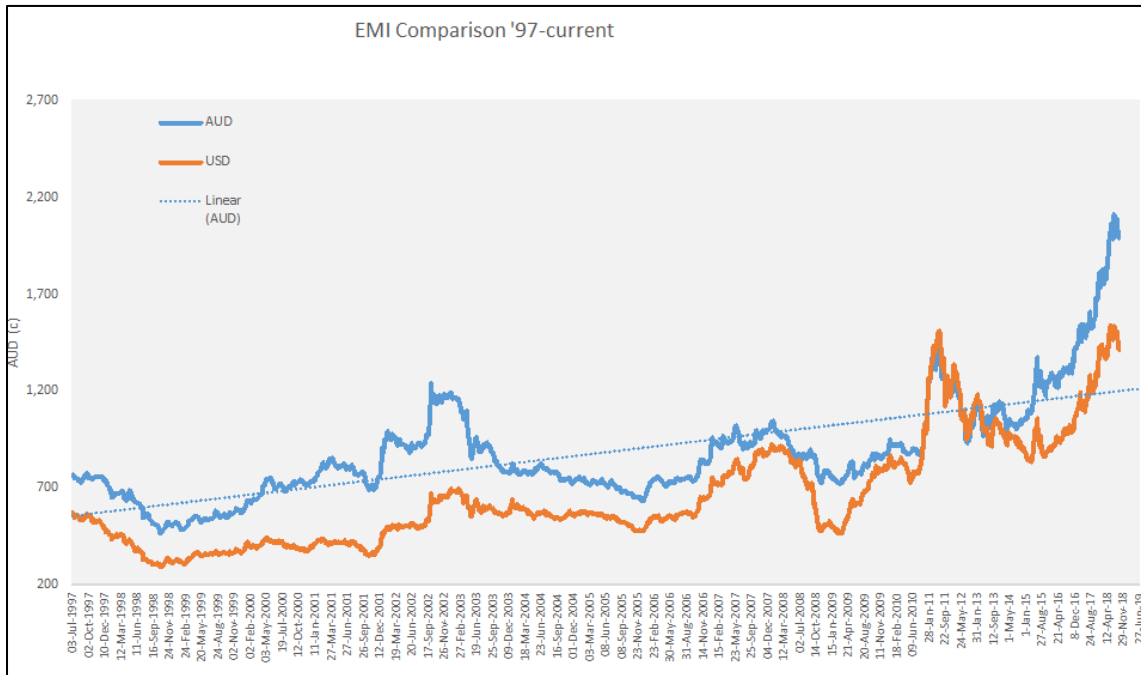
MPG North	Percentile	18/10/2018	11/10/2018	Variance	5 Year Average	5 year var	5 year % var
17	93.0%	2,743	2,857	-114	2,057	686	33.3%
18	97.7%	2,530	2,593	-63	1,914	616	32.2%
19	97.7%	2,330	2,381	-51	1,756	574	32.7%
20	97.9%	2,262	2,278	-16	1,652	610	36.9%
21	97.1%	2,223	2,243	-20	1,612	611	37.9%
22	99.6%	2,259	2,259	0	1,582	677	42.8%
30	83.5%	701	711	-10	681	20	2.9%
EMI	97.4%	1,970	2,023	-53	1,325	645	48.7%

Forward Price Report from Michael Avery (Southern Aurora Wool): A complete turnaround in sentiment in both the auction and forwards this week. The grower interest in the Post-Christmas period, that we saw last week, evaporated early in the week following the positive spot auction close last Thursday. Trading was restricted to the nearby months of November and December with exporters and processors dominating the selling. November opened the week trading at 2240 but was sold down to 2180 on the close. We expect bidding to be cautionary as traders weigh up the extent of the demand reduction bought on by the sustained high prices of the first two months of the new season, the ongoing trade war tension and stubbornly firm Australian Dollar. **Volatility will remain as the only constant.** Opportunities should arise for both buyers and sellers as the balance of supply and demand fluctuates. The lack of consistency in the volume of both bids and offers on the forward market reflects the under valuing of price certainty right along the wool pipeline.



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This is at odds with most agricultural commodity forward markets showing higher volumes in current high risk landscape.

Commentary: Despite this week's negative market experience, it is way too easy to lose sight of the amazing price levels we are experiencing from a historic perspective. This week's wool sales through auction surpassed the \$1bn

mark - well ahead of the same period last year (\$925m) and is essentially 1 (big) week in \$ Value in front. This is more extraordinary when you consider the year-on-year bale offerings, which are down 13.4% (-15.6 in kg clean). As far as the market outlook for the next 6 months - using logic rather than emotion - wool production should remain the focus for the pipeline from both quantity and quality perspectives. With YOY volume down 13.5% and price up 25.6% in the same time frame, this exacerbates the supply pressure that is emerging due to plummeting sheep numbers and more importantly the merino ewe numbers - a predictable spin off of the ferocious drought we are experiencing. In addition to this, it is not unusual to have a demand pause in the Australian wool markets at this time of the year, as our clients along the pipeline are looking at preserving their \$ resource before pulling the trigger to purchase for the northern hemisphere winter requirements.

I believe that whilst this weeks' market fall was a shock, it was more related to the quality of the selection rather than other factors demonstrated by the limited selection of medium quality lots maintaining their USD value. My emotional view is that I believe (AKA hope) we are getting closer to finding a level that processors will be interested in, especially the carding sector, however the offering make up may be the issue the closer we get to Christmas. China still holds the key to our pricing future and that is a little unsettling. Maybe you should review Mike Avery's report and his wise words in regard to taking opportunities in this market environment. ~ Marty Moses

Region	Centre	18/10/2018	11/10/2018	Variance	Bales Offered	Bales Sold	Pass-in%	Next Sale Offering
Northern	Sydney	2,021	2,070	-49	8,342	7,126	14.6%	8,842
Southern	Melbourne	1,938	1,994	-56	20,229	16,289	19.5%	22,627
Western	Fremantle	2,094	2,170	-76	7,513	5,656	24.7%	7,233
National	AWEX EMI	1,970	2,023	-53	36,084	29,071	19.4%	38,702

Moses & Son Top price report							
Desc	District	Micron	VM	Yield	SL	SS	Price
AAA M	Wagga Wagga	17.1	1.4	68.8	66	28	1734
AAA M	Cootamundra	18.4	1.4	71.8	72	27	1716
AAA M	Temora	18.4	0.3	70.1	84	38	1714
AAA M	Cootamundra	17.3	1.2	68.7	73	17	1680
AAA M	Cootamundra	17.6	1.4	69.8	67	16	1676