



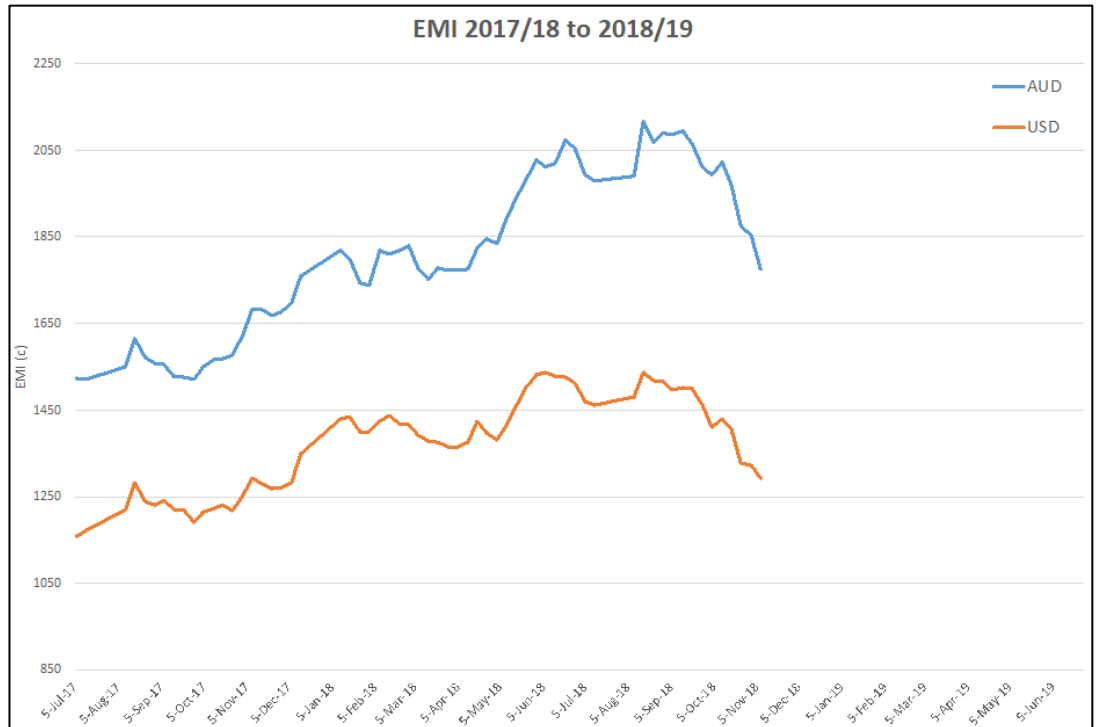
# MOSES & SON

WOOLBROKERS MERCHANDISE LIVESTOCK

## Week 19: 08/11/2018

The AWEX EMI closed on 1776c - down 78c at auction sales in Australia.

Another rough week emerged, and from the first lot, the market direction had everyone second guessing when this market trend may change its freefall pattern. The pass in rate was 20.9% of the 32,189 offering as the average weekly offering creeps up over 10% for the season - an increase of 4% from last season.



**Merino Fleece** continued to lead the market downward as the forward sale price after each week undermines the market confidence and increases risk for the traders. This week, the heaviest hit MPG's were in the 19-21 Micron which fell between 95 and 130c whilst the 16.5-18.5  $\mu$  MPG's lost 45-70c for the week. The best style and measured lots performed a little better than the average whilst the poorer style lots with heavy VM, Colour, Cott or dermo took a battering.

**Skirtings** were unable to repeat last week's resistance to the falls and fell in line with the fleece.

**Crossbreds** lost 25-46c. Despite the loss, there is a basis in this categories that traders are becoming more comfortable with.

**Cardings** in Sydney remained within 25c of last week's level however the Melbourne and Fremantle falls were 71 and 92 respectively, representing a retracement from their peak approaching 600c or 36%.

MPG North	Percentile	8/11/2018	1/11/2018	Variance	5 Year Average	5 year var	5 year % var
17	90.2%	2,495	2,555	-60	2,044	451	22.1%
18	92.2%	2,318	2,377	-59	1,906	412	21.6%
19	93.9%	2,109	2,238	-129	1,750	359	20.5%
20	95.1%	2,050	2,153	-103	1,647	403	24.5%
21	95.2%	2,043	2,139	-96	1,607	436	27.1%
22	95.6%	2,100	2,100	0	1,577	523	33.2%
30	70.0%	636	661	-25	679	-43	-6.3%
EMI	95.0%	1,776	1,854	-78	1,325	451	34.0%

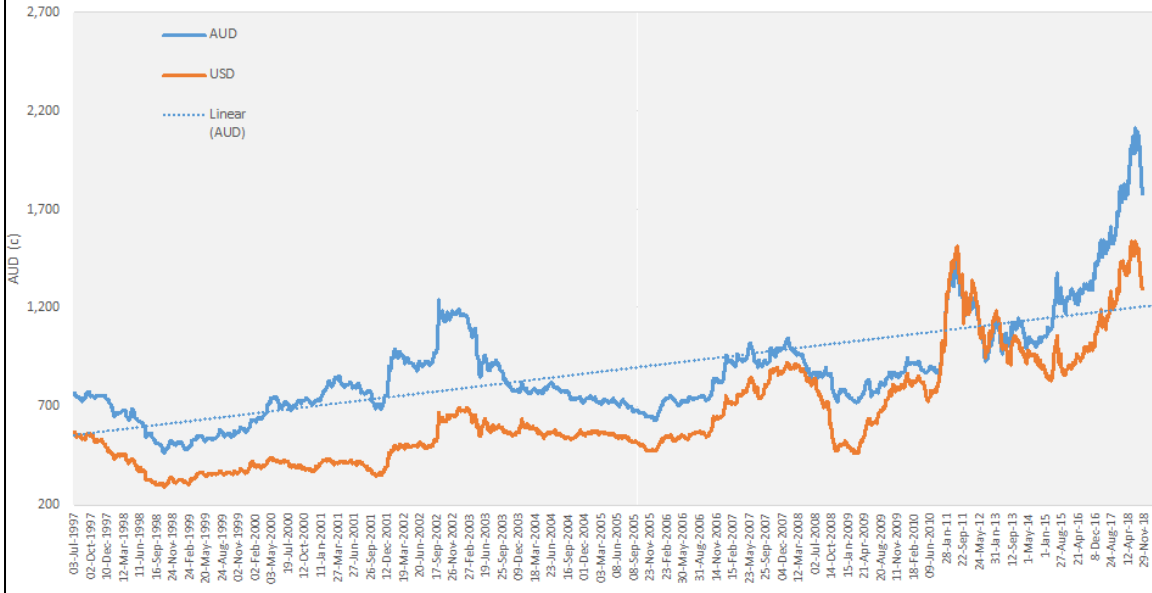
**Forward Price Report from Michael Avery (Southern Aurora Wool):** A highly volatile week that saw the auction suffer significant losses on Wednesday and try to hold its own to the close Thursday but still struggled to find support. The forward markets traded briskly as some traders moved to the sell side when the spot



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EMI Comparison '97-current



auction broke through anticipated support levels. The 19.0 micron indicator dropped 121 cents this week. Some growers participated into the spring of 2019 with significant volume (95t) traded October to December but in the major was trade selling. Trades on the

19.0 micron index went through at 1980. Although discounted 120 cents to the closing cash price (2108) it still equates to the 75 percentile of the last four years. End users have been unable to pass the on the current levels to consumers and have seen some short demand destruction. Their willingness to price well above the long term (8 years) average of 1470 and the medium term (4years) of 1695 indicates that demand creation of the recent years coupled with supply constraints should see the market correct above this medium-term average. Unfortunately, markets have a tendency to over correct so volatility will be common place. It was very pleasing to see bidding out one and two years by the end users. Current bidding in the spring of 2019 for 19.0 microns is at 1930 (down from 1980 traded this week) and spring 2020 at 1880. This gives growers a chance to obtain price stability for one and two-year forwards well above cost and the average of what has been, in a price perspective, a rewarding and sustained uptrend.

Volumes remained light pre-Christmas with both buyers and sellers unsure of where support will be found. The basis premium for fine wool continues to tighten with 19 to 21.0 closing from 97cents to 54cents this week. Bidding on the 21.0 contract is at 2000 cents for November and 1990 for December. At 50 cents under cash it indicates that exporters still see some downside (the market has lost 200 cents in the last three weeks) but tight supply may slow the down trend. Providing the opportunity for growers to lock in a portion of the production is important outcome.

Region	Centre	8/11/2018	1/11/2018	Variance	Bales Offered	Bales Sold	Pass-in%	Next Sale Offering
Northern	Sydney	1,809	1,891	-82	8,625	7,116	17.5%	10,161
Southern	Melbourne	1,754	1,830	-76	17,172	14,086	18.0%	21,419
Western	Fremantle	1,931	2,005	-74	6,392	4,253	33.5%	8,303
National	AWEX EMI	1,776	1,854	-78	32,189	25,455	20.9%	39,883

**Market Commentary:** It was pointed out to me that previous incidents like the GFC and SARS produced short and sharp falls and a price basis to trade from was quickly found, but the current situation which are connected to the recent move by the US government to less favourable China USA trade terms and possibly some hangover from Brexit present a challenge not seen before in history.



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This is impinging export of wool into North America and possibly Europe - two of a bigger market destinations - leaving Australian wool largely at the mercy to the Chinese domestic market. Over the past 4 weeks, most exporters have had a go at guessing the week to buy in, then holding the stock to on-sell to Chinese clients who were supposed to enter the buying. So far all that have tried got it wrong, and the market intelligence based on historic events have not been any use in predicting when this trend may change. Some mills in China have swapped to processing Crossbreds to minimise their financial commitment and price risk presented to the trade. One prominent exporter described the current situation as the worst he had seen in his 45 years of trade and financially described the result as a slow death. He was also hopeful we could see some basis found before Christmas making him more nervous to commit to any forward business offers before 2019.

So my advice to anyone that have wool to sell or will be shearing soon, rather than measure the fall from the market peak, I am happy to assist you to compare your current clip values with last years (or last shearings values) as this may make the marketing decision a little easier than taking account of what you might have lost (even though you never had it).

In other news, AWI Chairman Wally Merriman has announced his retirement as chairman of AWI effective today. Whilst charismatic Wally has indicated he will remain on the board at least to the 2019 AGM, Colette Garnsey has been elected by the AWI board as the new chair. As we await the results of the recent Woolpoll vote, and look to the AWI AGM on the 23<sup>rd</sup> November, it really makes for an interesting month of news from our Marketing and R & D body.

~ Marty Moses

Moses & Son Top price report

Desc	District	Micron	VM	Yield	SL	SS	Price
AAAA M	Laggan	15.8	0.2	74.4	84	40	2050
AAAA M	Laggan	17.8	0.5	78.2	87	43	1940
AAAA SUP	Millthorpe	16.7	0.6	68.8	71	41	1861
AAAA M	Laggan	17.2	0.2	73.0	87	39	1810
AAAA M	Laggan	18.4	0.2	76.1	91	41	1750