

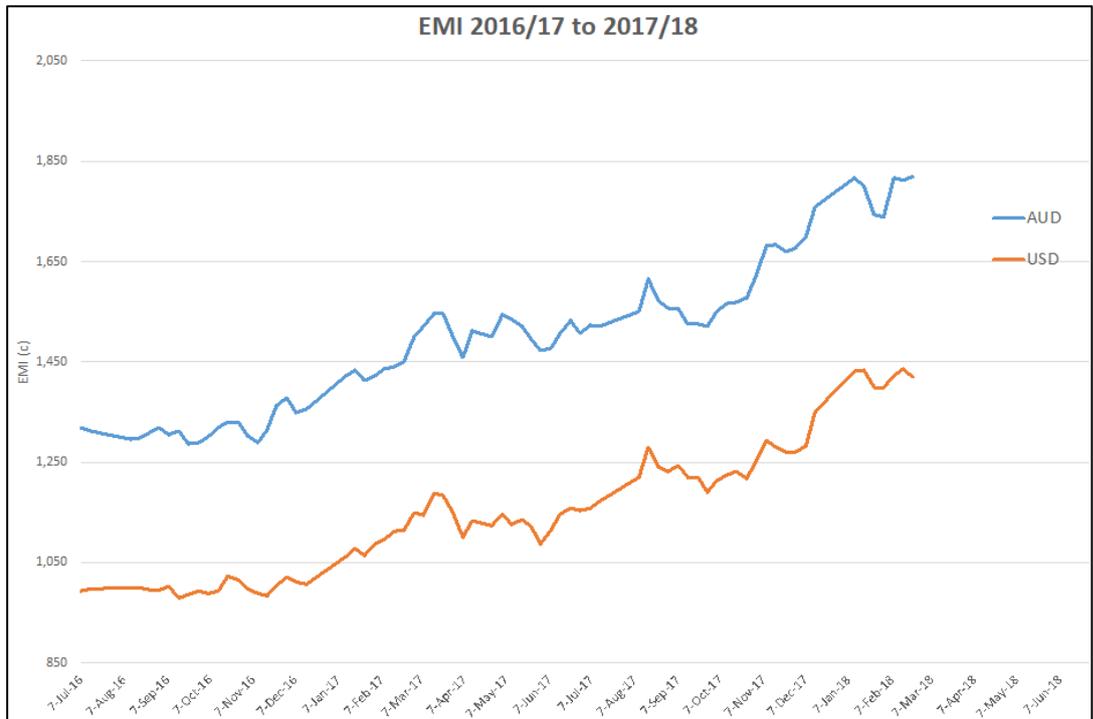


MOSES & SON

WOOLBROKERS MERCHANDISE LIVESTOCK

Week 34: 22/02/2018

The AWEX EMI posted an 8c rise to close the week on 1820c at auction sales in Australia this week. The local market was aided by a depreciating currency exchange (AUD - 1.7% v USD) which in effect means that whilst the EMI has hit a new (end of week) record, the EMI in USD fell 17c. The 8c in the EMI was well surpassed in almost all of the merino MPG's.



Merino Fleece generally gained between 10-50c in the Northern market with the exception of the 18-

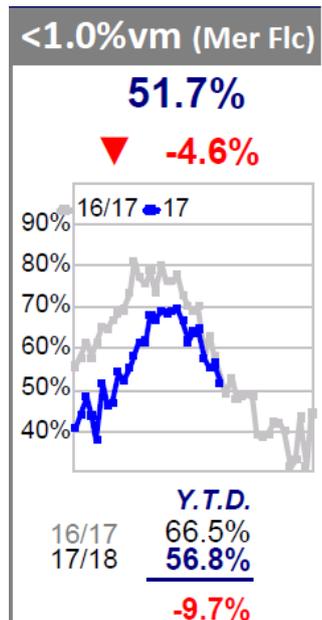
MPG which held steady for the week. The ultrafine lots continued to achieve positive results rising 30c (+1%) whilst the 17-18µ MPG were more subdued after racing ahead from the southern MPG's last week. 18.5-19.5µ posted 25-30c gains whilst the 20-22µ MPG's posted up to 50c or 2.5% gains. Across the merino fleece the spread (basis) between FNF wools and lots bearing medium and heavy Vegetable Matter widened.

Merino Skirtings bucked the trend of the fleece with losses of 20-30c experienced over the week. Once again VM was the determining factor and low VM skirts were least affected.

Crossbreeds posted another rise with gains between 5 and 25c posted with the finer end of the category and the best prepared lots enjoying the best support.

The **Merino Carding** indicators fell between 12 and 29c with the northern MC the least affected. The trend was clearly "the lower the VM- the better the price" also visible in this sector.

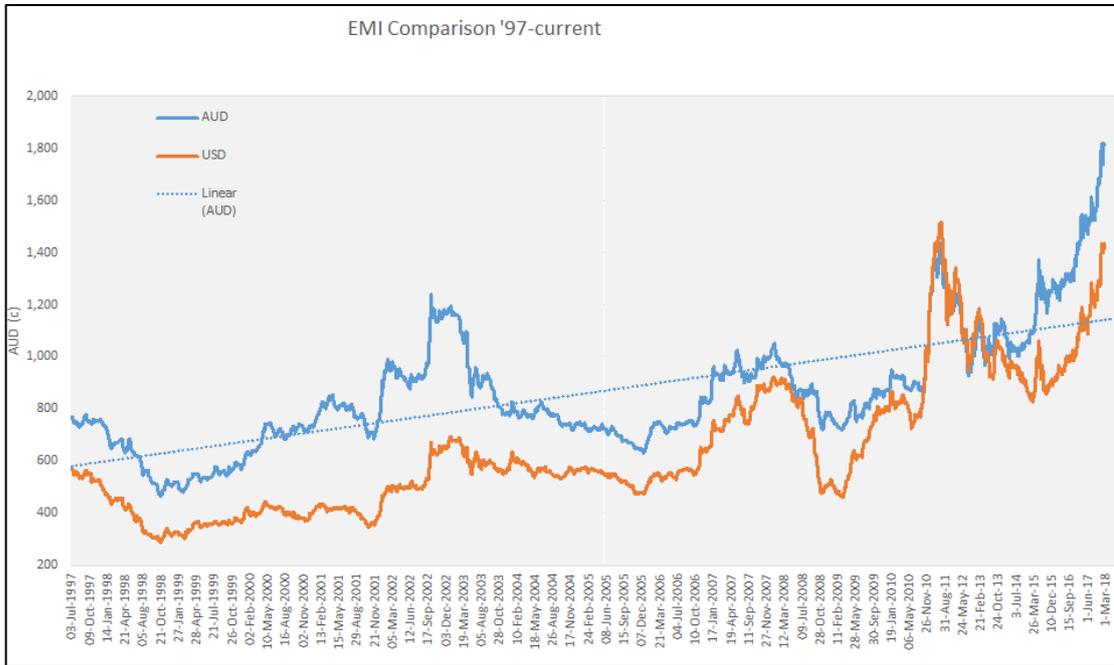
The EMI hit new highs in the early part of the Chinese New Year period with a 41,669 bale offering cleared ~95%. Whilst this was driven from rises in most of the MPG's as well as new highs for the northern 20-22µ micron price guides all fleece categories experienced good demand signals. Conversely, there are gaps in demand appearing in the wools showing faults like heavy colour, cotted and as mentioned heavy Vegetable Matter within the sectors. As mentioned above, the expected trend for the next 4 months is that lots with low VM will continue to post price premiums as the percent of wool on offer traditionally presents more VM to the market. (See figure 1). This may place a positive bias on the MPG's and in turn the EMI as the fewer FNF and low VM lots available it is logical to think there will be more demand for the lots with the best specifications, preparation and style. Next week's offering of 44,506 bales will be offered on Wednesday and Thursday across all centres. It's a great time to be in sheep and wool. ~ Marty Moses





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Michael Avery Forward Contract Report:

Modest gains were achieved in the forwards this week. Trades were restricted to the current season. Buyers were cautious to commit to large quantities while historically high prices and the Chinese holidays left the demand signals still muted. 19.0 traded to May at 2100 and 21.0 to 1830 for the same period. Only 1.25% of the underlying clip being hedged at these near record prices the market is indicating a mismatch

in expectations. Exporters and processors are anticipating some relief in prices as latter stage demand is impacted at current price levels. Growers, understandably, are reluctant to commit forward at discounts, given the current price cycle has been running for 14 months. While a wait and hold policy has, with the benefit of hind-sight, been the best strategy it is also important to remember where this cycle started. 14 months ago 19.0 micron was under 1600 and 21.0 under 1400.

Managing this risk right along the pipeline is becoming paramount. Hopefully the demand signals will become clearer over the coming weeks and both buyer and seller will be able find fair value across the curve alleviating some risk in this volatile environment.

MPG North	Percentile	22/02/2018	15/02/2018	Variance	5 Year Average	5 year var	5 year % var
17	99.8%	2,793	2,785	8	1,715	1,078	62.9%
18	99.7%	2,389	2,390	-1	1,634	755	46.2%
19	99.5%	2,153	2,131	22	1,509	644	42.7%
20	100.0%	2,017	1,971	46	1,408	609	43.3%
21	100.0%	1,927	1,878	49	1,368	559	40.9%
22	100.0%	1,886	1,849	37	1,334	552	41.3%
30	55.5%	593	590	3	659	-66	-10.1%
EMI	100.0%	1,820	1,812	8	1,263	557	44.1%

Region	Centre	22/02/2018	15/02/2018	Variance	Bales Offered	Bales Sold	Pass-in%	Next Sale Offering
Northern	Sydney	1,902	1,893	9	9,915	9,563	3.6%	13,114
Southern	Melbourne	1,769	1,761	8	22,592	21,511	4.8%	21,534
Western	Fremantle	1,895	1,879	16	9,162	8,355	8.8%	9,858
National	AWEX EMI	1,820	1,812	8	41,669	39,429	5.4%	44,506