



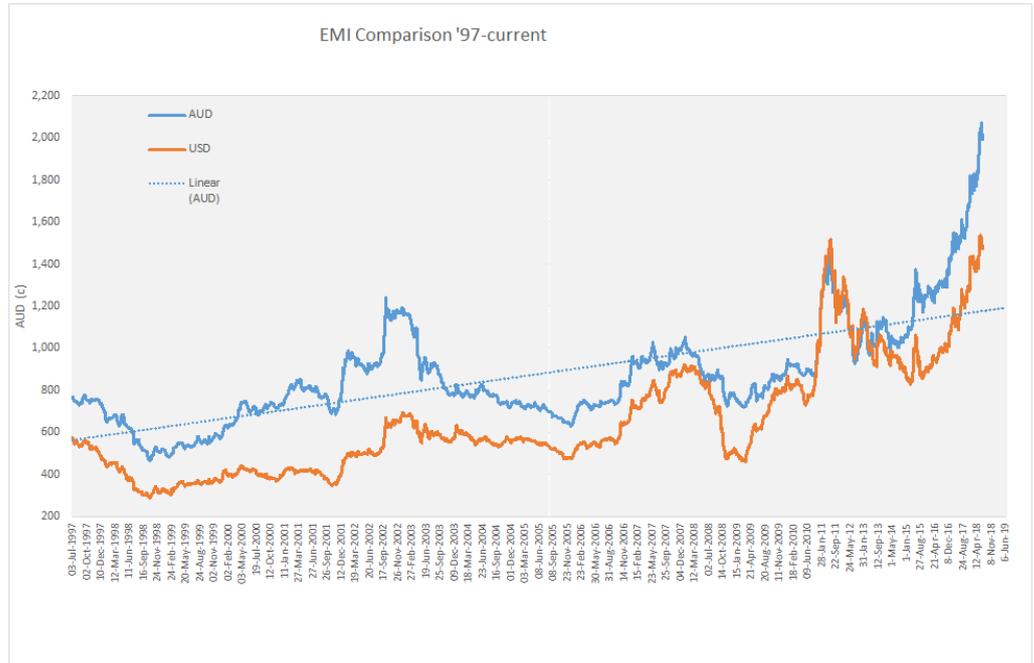
# MOSES & SON

WOOLBROKERS MERCHANDISE LIVESTOCK

## Week 01: 05/07/2018

The AWEX EMI closed the week on 1994c, down 62c at auction sales in Australia this week. The \$64m question of what factors triggered the opening sale of the New Financial year that resulted in the largest fall in 6 years. Whilst there may be a number of factors the validity of the 3% price realignment may become apparent as we move into next week,

however some comments have been circulating that business into China had almost been non-existent over the past week would be the most logical one. Scott Carmody (exporter) reports that the major factor surrounding China's woes is a significant movement of the forex rates of the CNY versus the USD. The past three weeks or so has seen a divergence of around 7% in that rate of exchange, which basically means the Chinese are under pressure from the currency exchange rate and their margins are unfavourable.



MPG North	Percentile	5/07/2018	28/06/2018	Variance	5 Year Average	5 year var	5 year % var
17	98.7%	2,827	2,872	-45	2,042	785	38.4%
18	98.7%	2,443	2,524	-81	1,885	558	29.6%
19	99.4%	2,289	2,368	-79	1,739	550	31.6%
20	99.4%	2,261	2,346	-85	1,649	612	37.1%
21	99.3%	2,251	2,334	-83	1,612	639	39.6%
22	100.0%	2,328	2,328	NC	639	1,689	264.6%
30	79.9%	664	705	-41	673	-9	-1.3%
EMI	99.3%	1,994	2,056	-62	1,312	682	52.0%

From the market opening the reaction in the room was somewhat one of surprise from the sellers and as a result 15.6% of the 43,880 bales were passed in lead by the Western Australian pass in rate of 41% in the fleece and an overall WA pass in rate of 31.8%. **Merino Fleece** posted falls ranging from 45c up to 86c for the week with the 17.5 – 22 MPG's similarly affected. With clips held over the financial year and drought affected (dusty) wools representing almost 60% of the offering, any lots with high yield and favourable measurements were least affected by the falls. Fleece lots with low yield, high VM and poor strength specifications felt the full force of the lower price level driven by the increased processing cost of the visual and measured inflictions. **Merino Skirtings** fell in line with the fleece with lots containing heavy VM most affected. **Crossbreds** were also swept into the negative emotion for the week with losses between 20 and 65c posted. **Merino cardings** seemed to buck the trend and oddments maintained good buyer support despite losing just 5-15c across the selling centres.

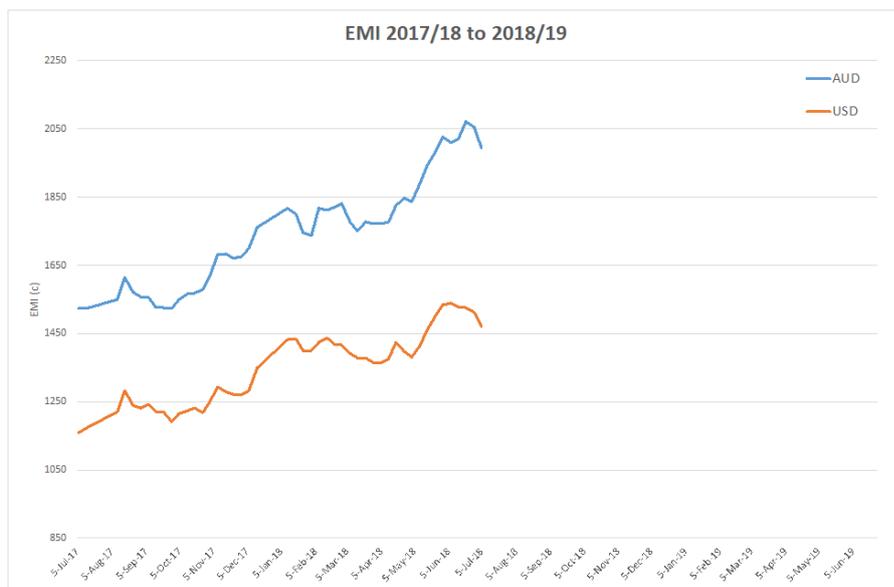


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## Forward Wool Market Report

**Michael Avery (SAW):** The fatigue that the spot auction felt last week came into play this week however the impact on the forward markets has not been as severe. Spring and New Fiscal Year levels did retreat a little but were already showing a discount in line with demand expectation. We need to be careful not to lose sight of the supply driven increase in momentum of the spot market over May and June particularly in 19.0 micron and coarser. We started May at near record levels 19.0- 2090 cents



and 21.0- 1970 cents. Each put on 300 to 350 cents in this period. The forward market reacted to the rise pushing spring levels 100 to 200. We expect the similar reaction should the current retraction continues. Markets tend to over react. The fall in the forwards should be less marked than the likely decline in the spot. Good hedging levels should still be achievable.

Region	Centre	5/07/2018	28/06/2018	Variance	Bales Offered	Bales Sold	Pass-in%	Next Sale Offering
Northern	Sydney	2,026	2,088	-62	15,730	14,054	10.7%	14,846
Southern	Melbourne	1,975	2,035	-60	19,216	16,874	12.2%	22,545
Western	Fremantle	2,154	2,243	-89	8,934	6,090	31.8%	4,040
National	AWEX EMI	1,994	2,056	-62	43,880	37,018	15.6%	41,431

Demand for early Spring should see 21.0 trade in September and October between 2080 to 2140 next week. We anticipate a slight strengthening of the premium for 19.0, currently sitting at 26 cents over 21micron, to trade 40 to 50 over. This would result in forward level of 2130 to 2200 for the early Spring. For 2019 we see trading around the base established over the last two years. 19.0 between 1980 and 2020 for the first half of 2019 and 1930 to 1970 for the start of the 2019/20 wool season. New Year 21.0 are a little more problematic with indications early in the year at 1950 dropping to 1800 to 1850 for the second half of 2019.

Next week is the final sale before the annual mid-year three-week recess. Quantities have slightly reduced, currently there is 41,431 bales rostered, with selling in Sydney, Melbourne and Fremantle. Despite the unexpected rebasing of price for Australian Wool at auction this week it's still an amazing time to be in Sheep and Wool. ~Marty Moses

Moses & Son Top price report							
Desc	District	Micron	Yield	VM	SL	SS	Price
AAAA SUP	Merriwa	17.0	71.0	2.9	92	43	1851
AAA M	Laggan	18.4	76.7	0.4	60	55	1760
AAA M	Merriwa	18.7	76.3	1.5	55	58	1701
AAA M	Merriwa	18.8	75.5	1.4	56	59	1669
AAAA M	Merriwa	18.4	74.4	1.5	60	55	1666