



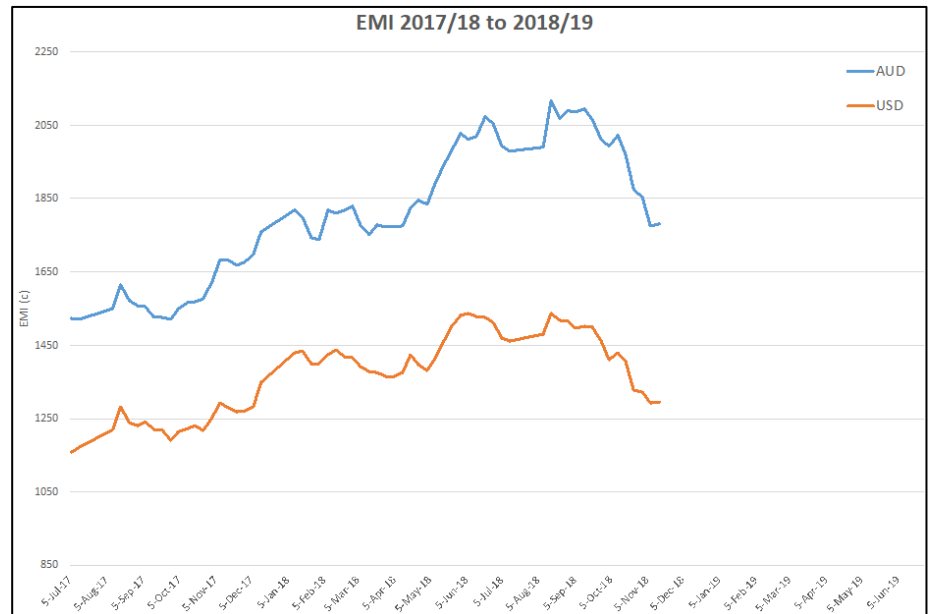
# MOSES & SON

WOOLBROKERS MERCHANDISE LIVESTOCK

## Week 28: 10/01/2019

The AWEX EMI closed the week on 1910c - up 48c in the opening sale of 2019. The 47,593 bale offering was greeted with immediate urgency from exporters after the 3-week Christmas holiday recess, and despite the solid price increase, 7% of the national offering was passed in.

In analysing why the rate was well above expectations for a bullish market that managed substantial increases to almost all of the MPG's, the Western Australian pass-in rate (12.7%) was more than triple the Sydney rate (3.8%) and double Melbourne's pass in rate (5.7%).



**Merino Fleece** of all description attracted bullish support with the rises of 50-80c recorded nationally on the 19-22 MPG's. 17-18 MPG's recorded 15-35c rises, whilst the 16 and 16.5µ lots maintaining the pre-Christmas price levels. The focus from Italy and India continues to be in the best style lots with better than average processing performance (high Yield, low VM, high Staple Strength and low Mid-Point Break), whilst the Chinese were active on most types of varying quality, the lower specified lots were at times heavily discounted as were some prem shorn types.

**Merino Skirtings** were generally very strong adding 40-70c for the week.

**Crossbreds** posted price rises across their entire MPG range measuring 30-60c with the emphasis on best practice clip preparation. Unskirted or poorly prepared lots were at times neglected.

**Merino Carding** indicator reversed its pre-Christmas negative trend to post a rise of 30-40c.

MPG North	Percentile	10/01/2019	13/12/2018	Variance	5 Year Average	5 year var	5 year % var
17	91.8%	2,557	2,532	25	2,026	531	26.2%
18	96.0%	2,435	2,402	33	1,896	539	28.4%
19	97.3%	2,296	2,247	49	1,743	553	31.8%
20	96.9%	2,240	2,178	62	1,641	599	36.5%
21	96.7%	2,200	2,145	55	1,602	598	37.3%
22	96.5%	2,170	2,110	60	1,567	603	38.4%
30	84.0%	703	703	0	678	25	3.6%
EMI	97.2%	1,910	1,862	48	1,325	585	44.2%

The fluctuations in worldwide currency exchanges over the latter part of December and early January apparently motivated wool exporters keen to source wool going into the recess. The AUD v USD exchange plummeted from above 72c to below 68.7c in early January before recovering back to 71.80 at the close of business Thursday.

The cause may have been a number of contributing economic factors to this wild fluctuation: First, I believe the uncertainty of the extended US-China trade negotiations which was followed by an announcement that they had (almost) reached an agreement. Secondly, Apple announced that their sales had weakened especially in China which added fuel to the fear that the Chinese economy was slowing (that old economic chestnut). There is some concern in Australia that the housing market in major centres is slowing which may keep the RBA from moving interest rates, in addition to the bubbling brew of seemingly meaningless Brexit talks. Yes - there is a lot going on around the world.

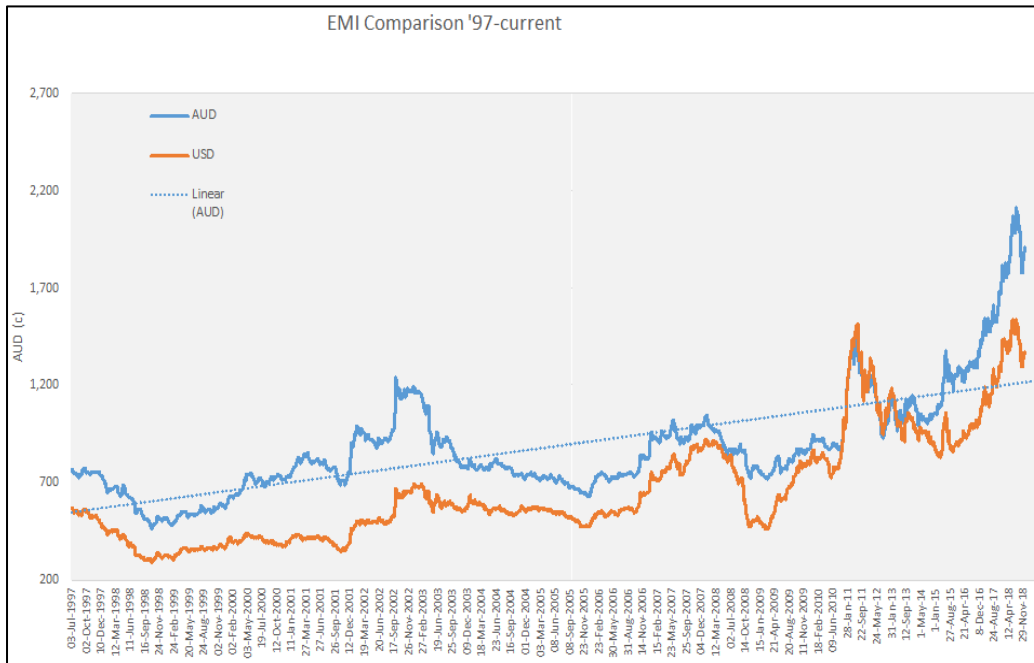
The release of the AWTA data for December revealed the month of December was down 8.1% with the National YTD wool sampled now down 11.9%. The value of wool sold through Auction to date reached 738,963 bales this week



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realising \$1,647.18m, this is over 200,000 bales (-21.3%) down on last year. The production numbers are projected to get worse and the ongoing drought conditions progress through mid-summer conditions - hot and dry - placing more pressure on stock numbers as water supplies and feed costs accumulate.



**Forward Price Report from Michael Avery (Southern Aurora Wool):** Bids on the forward markets lifted but levelled as the spot market eased slightly on the close Thursday. Trading on the forwards was again light. Selling interest was spread evenly between growers and traders with latter looking to balance their books on the lack of off shore demand. Growers took advantage of the early spike in the fine and medium merinos and were able to hedge small quantities of 19.0 between 2200 and 2230 for the April

May window. Better volume traded in the 21.0 microns with exporters raising the trade levels from 2100 to 2160 before the close Thursday.

The risk profile for most commodity markets is high to start the year. The on again off again trade dispute between the two largest economies has traders wary. This coupled with the historical high price levels for wool and the drought constricted supply is making medium term decision making difficult for buyers and sellers alike. High prices have taken a bite out of demand with the latest export statistics showing a 27 percent reduction on the corresponding month for the previous season and a 19 percent reduction year on year for the July to November period. With supply predicted to be down in excess of 10 percent the balance with demand appears to be at a critical point. Volatility in prices will be the likely outcome.

Region	Centre	10/01/2019	13/12/2018	Variance	Bales Offered	Bales Sold	Pass-in%	Next Sale Offering
Northern	Sydney	1,948	1,906	42	9,922	9,546	3.8%	14,349
Southern	Melbourne	1,887	1,834	53	26,260	24,752	5.7%	28,604
Western	Fremantle	2,083	2,031	52	11,411	9,963	12.7%	10,955
National	AWEX EMI	1,910	1,862	48	47,593	44,261	7.0%	53,908

Next week, the national offering jumps up to 53,908 bales as the recess accumulation is realised, however the projections for the ensuing weeks then fall to 40,000 bales and below as we move into February and March. I feel there may be some retracement on the poorer style lots however, as we saw this week, the best measured and stylish lots should remain keenly sought after throughout the next three months. ~ Marty Moses

Moses & Son Top price report							
Desc	District	Micron	VM	Yield	SL	SS	Price
AAAA M	Monteagle	17.8	1.9	70.2	85	43	1762
AAA M	Cootamundra	17.5	0.8	68.5	74	37	1666
AAA M	Cootamundra	17.4	0.8	68.0	81	34	1652
AAA M	Mirrool	17.9	1.4	67.4	86	34	1639
AAA M	Cootamundra	17.1	1.0	64.2	77	41	1635