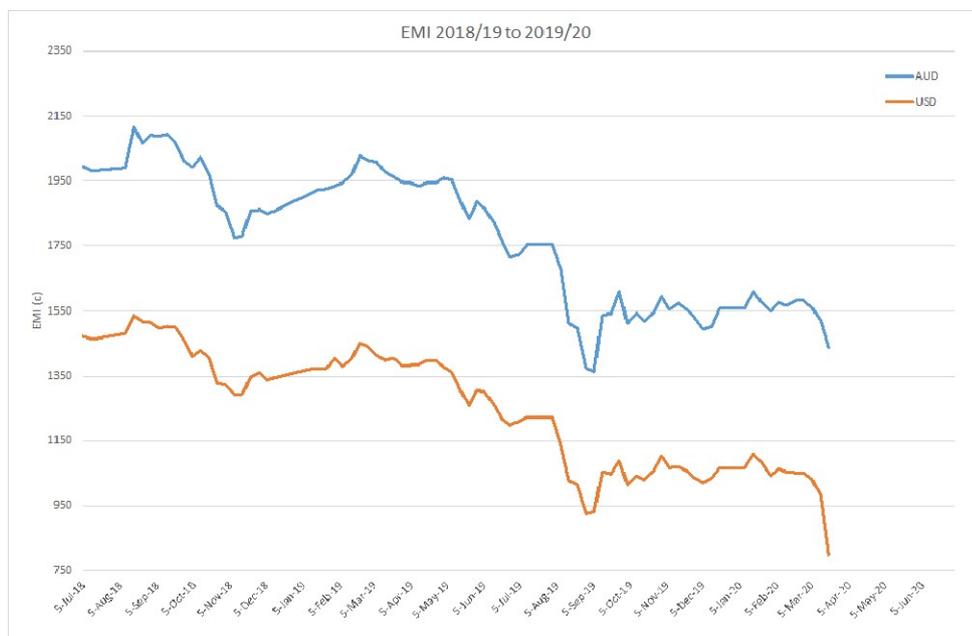




# MOSES & SON

## WOOLBROKERS MERCHANDISE LIVESTOCK

**Week S38:** The AWEX EMI closed on 1483c, down 83c at auction sales in Australia this week. The accrual of negative news from the emerging COVID-19 virus had its biggest week, significantly impacting the world's financial markets. The panic and mass hysteria in parts of the world was not exclusively felt in the derivative and share markets as the wool market experienced free-fall in a favourable currency exchange, as the EMI in USc plummeted to 801c. This was a loss of 181c with the AUD now at 55.5 USc the lowest conversion since 2003. The weekly pass in rate was 26.5% with an additional 16% withdrawn before sale which means that 42% of the original offering was not sold.



**Merino Fleece** experienced the largest drop on Tuesday in Melbourne where the EMI fell 52c. This set the trend for the week and when Sydney and Fremantle joined the market on Wednesday the levels were already compromised and never really stopped falling. If you are looking for a positive twist to the week Thursday's market saw some support in the final hour in Melbourne however, Fremantle showed more conviction in the room posting rises between 5 and 15c. **Merino Skirtings** seemed to be better supported as the pass in and withdrawn rate was significantly less than their fleece equivalent.

**Crossbreds** held up much better than the Merino's as they like the skirtings seemed to attract more competition as top-makers change focus to lower cost combing wools (temporarily) in the difficult market.

**Merino Cardings** lost significant ground in line with the merino fleece as many buyers watch the COVID 19 circus play out.

| MPG North | Percentile | 19/03/2020 | 12/03/2020 | Variance | 5 Year Average | 5 year var | 5 year % var |
|-----------|------------|------------|------------|----------|----------------|------------|--------------|
| 17        | 59.5%      | 1,848      | 1,987      | -139     | 1,998          | -150       | -7.5%        |
| 18        | 58.7%      | 1,715      | 1,850      | -135     | 1,885          | -170       | -9.0%        |
| 19        | 63.2%      | 1,644      | 1,768      | -124     | 1,739          | -95        | -5.5%        |
| 20        | 72.3%      | 1,628      | 1,748      | -120     | 1,644          | -16        | -0.9%        |
| 21        | 75.7%      | 1,632      | 1,743      | -111     | 1,606          | 26         | 1.6%         |
| 22        | 77.0%      | 1,600      | 1,730      | -130     | 1,571          | 29         | 1.9%         |
| 30        | 70.5%      | 690        | 690        | 0        | 702            | -12        | -1.7%        |
| EMI       | 73.6%      | 1,438      | 1,521      | -83      | 1,495          | -57        | -3.8%        |

On the financial level the RBA stepped up their aggressive intervention to prop up our economy and ensure the financial system doesn't grind to a halt, while also laying some foundations for a springboard when we come out the other side of this devastating outbreak. The main two actions were a further cut to interest rates by another 0.25%. The official cash rate is 0.25% (the lowest in history) just one more cut away from zero! The RBA offered a \$90bn loan to banks at 0.25% for 3-years to lend to small business and companies under pressure from the COVID-19 pandemic.

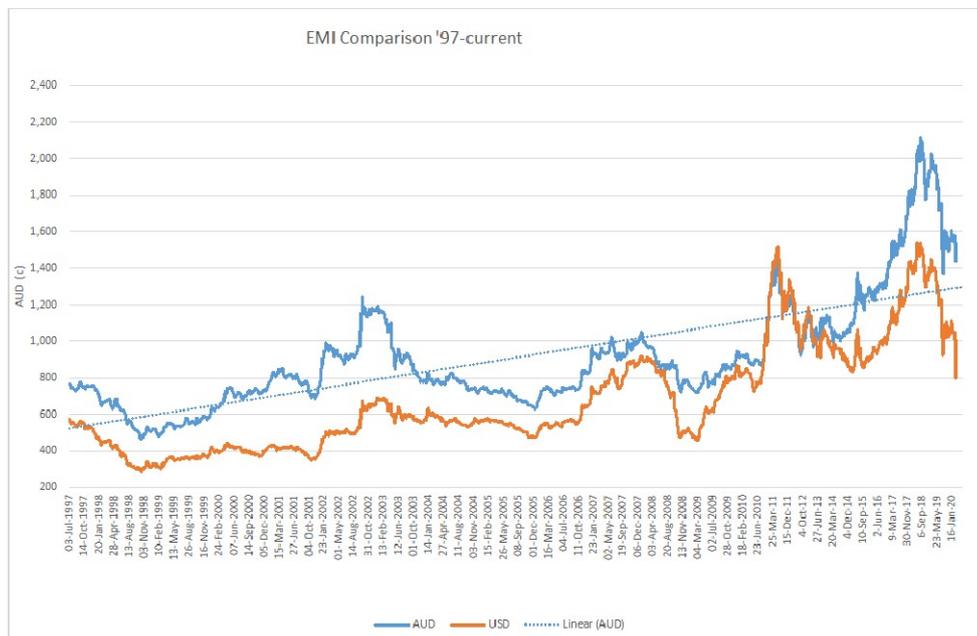


# MOSES & SON

**WOOLBROKERS MERCHANDISE LIVESTOCK**

The RBA Most importantly committed to implement “whatever it takes” to help the Australian economy cope with the outbreak.

Some market analysis worth considering is that Chinese mills are now back close to full staff levels, however, their greasy wool inventory is looking scant. I mentioned above that Crossbreds were keenly sought this week, and this could be due to the Chinese Top-makers with no fleece orders looking for product to comb have switched to crossbred types as they cost about 40% less than a 19 micron merino to purchase.



From a European (Italian) buying perspective their purchasing is now for next season (European Winter) so one would think they will purchase cautiously until the COVID-19 plays out worldwide and the Chinese re-enter the market. Overnight the news that the COVID-19 virus has claimed more lives in Italy than China has recorded may impinge on movement of wool into Italy short term.

| Region   | Centre    | 19/03/2020 | 12/03/2020 | Variance | Bales Offered | Bales Sold | Pass-in% | 19/03/2020 |
|----------|-----------|------------|------------|----------|---------------|------------|----------|------------|
| Northern | Sydney    | 1,469      | 1,557      | -88      | 8,792         | 6,927      | 21.2%    | 1,469      |
| Southern | Melbourne | 1,418      | 1,498      | -80      | 25,128        | 18,627     | 25.9%    | 1,418      |
| Western  | Fremantle | 1,538      | 1,616      | -78      | 8,066         | 5,317      | 34.1%    | 1,538      |
| National | AWEX EMI  | 1,438      | 1,521      | -83      | 41,986        | 30,871     | 26.5%    | 1,438      |

| Moses & Son Top Price Report |            |        |     |       |     |    |       |
|------------------------------|------------|--------|-----|-------|-----|----|-------|
| Description                  | District   | Micron | VMB | Yield | SL  | SS | Price |
| AAA M                        | Quandialla | 19.9   | 0.6 | 56.1  | 77  | 44 | 895   |
| AAA M                        | Quandialla | 19.8   | 0.5 | 54.5  | 76  | 43 | 865   |
| AAA M WNS                    | Quandialla | 19.5   | 0.6 | 54.6  | 65  | 47 | 850   |
| AAA M                        | Quandialla | 16.9   | 0.6 | 49.1  | 104 | 21 | 840   |
| AAA M                        | Quandialla | 16.9   | 0.3 | 47.2  | 69  | 40 | 811   |

Next week has 49,874 bales rostered however, I would think that unless the market changes to a positive trend starting with Melbourne on Tuesday then the withdrawn and pass in rates will surpass that of this week. The “where too from here?” question is being asked right throughout the pipeline, and we all share the hope that it will all correct very soon as the financial impact on the wool pipeline is devastating for all. – **Marty Moses**