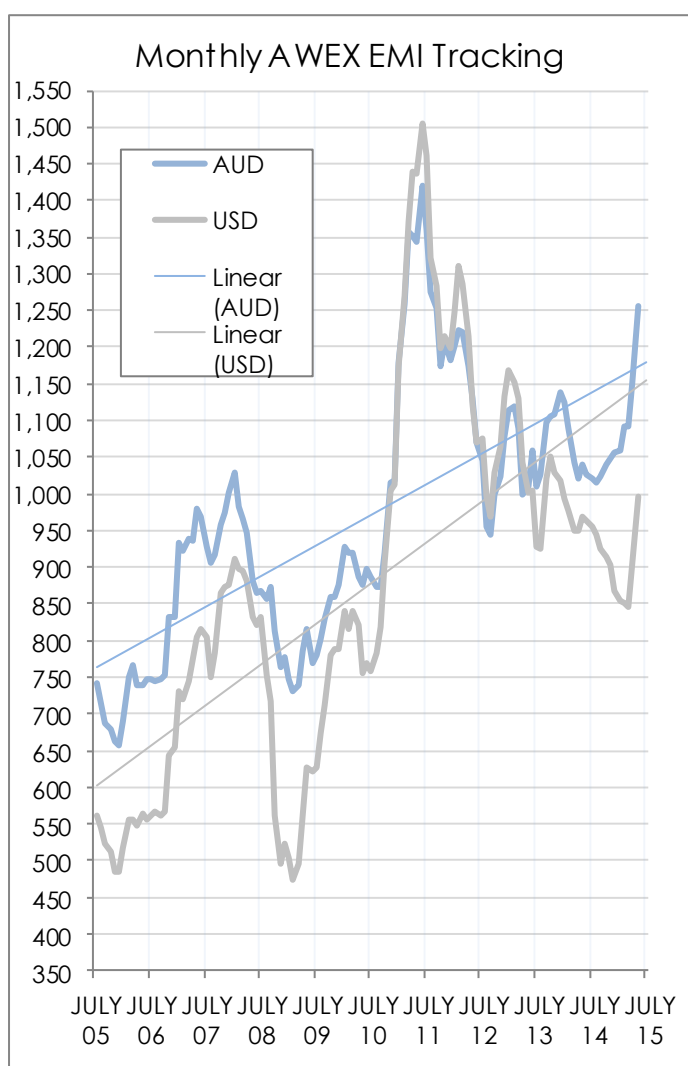




Offering		AWEX EMI				Currency movements		
Bales offered	23,622	AUD	1320 c/kg cln	-36 c/kg	-2.65%	AUD:USD	0.7734	-0.36%
Passed-In (%)	7.0%	USD	1021 c/kg cln	-32 c/kg	-3.01%	AUD:CNY	4.8022	-0.32%
		CNY	63.39 ¥/kg cln	-1.94 ¥/kg	-2.97%			
Bales Sold	21,967	EUR	8.99 €/kg cln	-0.32 €/kg	-3.43%	AUD:EUR	0.6812	-0.80%



AWEX Auction Micron Price Guides

Sales held on Wednesday & Thursday

MPG	North	South	West
17	1590n -28	1586n -41	
c18	1538 -40	1536 -41	
19	1460 -61	1466 -53	
20	1410 -68	1415 -66	
21	1396 -73	1405 -61	
22	1366n -60	1370n -51	NO SALE
23	-	-	IN WEST
24	-	-	THIS WEEK
25	-	-	
26	1164n -1	1175n	
28	969 -2	978 +4	
30	857 -8	853n -16	
32	740n +5		
MC	1104 -8	1122n -12	

Riemann Wool - Forward trades this week

Maturity month	Type	Price acof	Sum of kgs
August 2015	21.0 micron	1,340	10,000
September 2015	21.0 micron	1,300	4,000
October 2015	21.0 micron	1,310	8,500
January 2016	19.0 micron	1,325	2,000
January 2016	28.0 micron	820	5,000
November 2016	21.0 micron	1,235	7,000
Total kgs			36,500

Upcoming Wool Auction Sales

Sale week	2014/15 forecast	2013/14 actual
Week 52	48,849 bales	30,953 bales
Week 1	39,800 bales	38,030 bales
Week 2	34,700 bales	40,323 bales

AWI Wool Market Commentary

The bull run of Australian wool auctions appears over for the time being. Nearly all wool types and descriptions showed negative price results in the very small volume of just 23,622 bales on offer. Most affected was the fine to medium Merino fleece sector which saw losses extending out to 60ac/clean kg in some cases. The EMI (Eastern Market Indicator) concluded the week at a level of 1320ac/clean kg, a loss of 36ac/clean kg for the sale series, but still almost 300ac/clean kg better than at the same time last year.

The market reacted to a slight easing of buying intent of the Chinese indent orders and it took to the end of the sale week before any signs of general buyer activity became apparent. The lack of any serious overseas enquiry for a 2 week period had seen local buyers and forward selling exporters on the sidelines, but towards the very end of the selling week, most of these operators cautiously started to become involved again as buying interest stemming from China and India was reported.

Part of the reason in the reduction in price levels and the reversal of market sentiment was also being attributed to the extreme change in volume available for sale next week in the final sale of the season. In just a week, volumes have increased by a staggering 38%, the equivalent of a standard Sydney week sale, taking all the pressure off urgency in all buyers monthly purchasing strategies.

What is also playing on buyers' minds is that the following 2 sales are also showing higher bale figures than stated just a week ago. With the 3 week recess approaching, buyers do not like to carry stock through these breaks

in sales due to holding and finance costs as well as the market risk. Every year, this becomes a particularly sensitive period with regards to volume of wool coming in the market.

In the Merino fleece sector Superfine (finer than 18.5 micron) Merino types were basically quoted as being 25 to 40ac/clean kg cheaper for the week. A rare positive were the best spinners/best topmaking style, high strength wools which remained well sought after and managed to put on a solid 15 to 20ac/clean kg gain, due to stronger Italian orders in the auction competing with some forward sales being executed and one Chinese mill looking to source the better quality.

Fine and medium (18.5 to 23 micron) Merino fleece was the most affected of all market segments again this week and price levels weakened by a general 40 to 60ac/clean kg.

Skirtings of all descriptions drifted lower throughout to be 30ac/clean kg cheaper by the finish of the sales, apart from the lighter VM (less than 3%vm) types which held close to the established levels. Merino cardings recorded small losses, the first time for over 3 months, but these were minimal at a general 10ac/clean kg. Stained types were the most affected.

In very small offerings all of the Crossbred sector sold to buyers favour, with some heavier retractions of around 10 to 15ac/clean kg around the 30 micron area being evident.

Next week Australian wool auctions will offer over 48,000 bales at all three selling centres. The larger volume has eased the buying pressure for exporters, but hopefully all will be attracted back to the market by the lower price levels. It is thought though that a significant renewal of forward and indent buying will be needed to arrest and reverse the current downward trend.

Industry News

Years of strong economic growth in China has placed upwards pressure on the salaries of Chinese clothing manufacturers, resulting in an increase in clothing and textiles manufacturing costs. Whilst cheaper outsourcing locations such as Cambodia, Vietnam, Bangladesh and India have proved attractive alternative manufacturing locations, the losses to the China garment manufacturing sector may be exaggerated, according to a recent article by *Just-Style*. Contrary to popular belief, the data indicates that the industry is consolidating rather than declining and although the number of garment and textile manufacturers with an annual sales turnover exceeding CYN20 million (USD3.2 million) declined by 11.5% in 2014, combined profits climbed by 6.1% to CYN360 billion (USD58.1 billion). Whilst wage increases may well undermine the competitiveness of the Chinese textile industry, wages across the region are also increasing at a similar pace however without the advantages of the efficiency and infrastructure that is offered by manufacturers in China.

Source: *Just-Style*, June 2015.

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