



WOOL MARKET WEEKLY REPORT

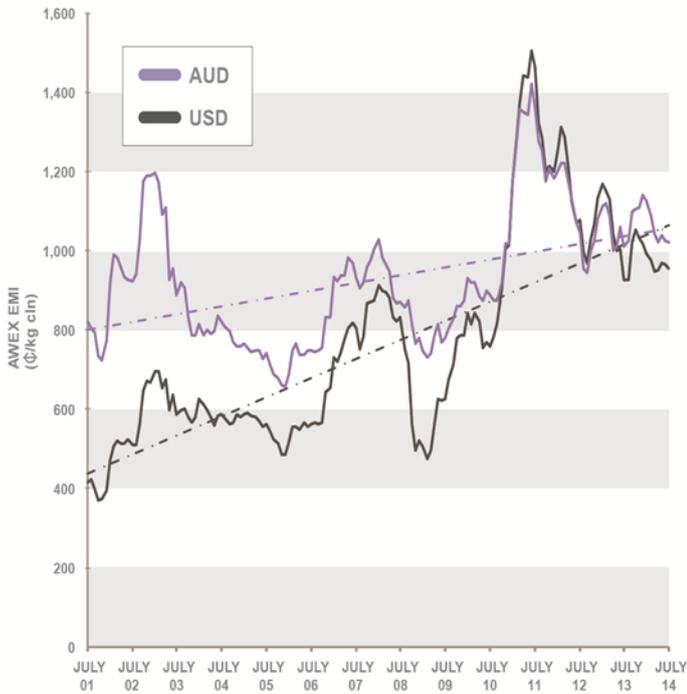
Sale Wk 7: Fri 14th August 2014

THE WOOLMARK COMPANY

awil
Australian Wool Innovation Limited

Offering		AWEX EMI				Currency movements		
Bales offered	38,690	AUD	1020 c/kg cln	-11 c/kg	-1.07%	AU:USD	0.9297	+0.31%
Passed-In (%)	12.8%	USD	948 c/kg cln	-7 c/kg	-0.76%	AU:CNY	5.7208	+0.21%
Re-offer (%)	6.1%	CNY	58.35 ¥/kg cln	-0.51 ¥/kg	-0.86%	AU:EUR	0.6960	+0.51%
		EUR	7.10 €/kg cln	-0.04 €/kg	-0.57%			

Monthly AWEX EMI Tracking



Sale days		Wed, Thu		
MPG	North	South	West	
17	1249 -18	1241 +0	-	
18	1205 -2	1201 -7	1167n +4	
19	1159 -4	1156 -12	1138 -8	
20	1115 -25	1130 -16	1131 -10	
21	1116 -25	1118 -25	1122 -15	
22	1116 -24	1116 -26	1111n -16	
23	1104n -33	1111n -26	-	
24	-	-	-	
25	-	-	-	
26	788n -5	815n -8	-	
28	646 -17	657 -7	-	
30	633 -4	631 +2	-	
32	571n +0	571n +0	-	
MC	787 -13	793n -6	782n -3	

MPG and indicator data in AU cents and sourced from AWEX

Sale week	2014/15 forecast	2013/14 actual
Week 8	31,803 Bales	27,399 Bales
Week 9	41,284 Bales	39,321 Bales
Week 10	41,500 Bales	37,509 Bales

Riemann Wool Forwards			
21 Micron		Values	
Maturity month	Sum of kgs	Low	High
Aug - 2014	55,500	1160	1170
Sep - 2014	26,500	1125	1150
Nov - 2014	10,000	1170	1170

ICAP Wool Forwards						
China Wool Type	54p (18.5 µm)		54 (19.5 µm)		T55 (21.0 µm)	
	Low	High	Low	High	Low	High
Sep-14	1130	1180	1104	1150	1090	1175
Oct-14	-	-	1094	1150	1080	1175
Nov-14	-	-	-	-	-	-

Forward wool prices in the above table are in AU cents and supplied by Riemann, www.riemann.com.au

AWI Commentary

Wool auctions in Australia this week were conducted under the atmosphere of a very cautious buying attitude by the sale room operators. Although volumes were down from the previous week, the growing number of hard to place weaker strength, higher POBm (position of break in the middle) sale lots ensured that competition was very subdued and all buyers were very measured in their approach to the inventory that they took on board. A loss of 11cents clean/kg on the AWEX EMI (Eastern Market Indicator) was the result by the end of the week. There were some positive signs within the finer categories though, as the better strength types continued to extend the premium above the lesser descriptions of corresponding micron.

Exporters reported that new forward sales were hard to come by, and the Chinese indent operators were unusually quiet with their prompt buying at auction. Albeit, there is still interest on most types across the offering, but levels being bid are at levels at least 20cents clean/kg under what is considered market rate. Types destined for the woollen system are still being sought; hence the relatively low price gap between the worsted sector types remains in play. In addition, most of the European clients are now on their summer vacation, so the market is struggling somewhat for a clear signal as to the buying intentions of most of our customers.

Merino wool types finer than 19.0 micron had the best results within the Merino fleece segment of the offering, losing just a few cents on the indicators. Within the micron brackets we once again saw diverging results, with the 38Nkt (Newtons per kilotex, wool staple strength) and better sale lots appreciating a further 15 to 25cents clean/kg. The same 5 or 6 exporters continued their strong penchant for accumulating these wools and the orders remained strong to the last lot available. In a directly opposite appetite situation, the lower Nkt sale lots featuring high POBm readings, finer than 19.0 micron, were somewhat neglected and dropped off alarmingly

throughout selling and finished about 40cents clean/kg in negative territory for the week. Buyers are expecting these lower types to be abundant, particularly in Sydney, for the next 6 weeks or so. Similarly to last week, all types broader than 19.5 micron were sold under very weak competition, and concluded at levels 20 to 25cents clean/kg lower.

Merino skirtings of all qualities basically consolidated this week and sold on an unchanged basis after the strong rises of the opening wool auction sales last week. Some easing became apparent towards the close of selling, but this was mainly restricted to types showing VM (vegetable matter) readings above 8%.

Cardings of all descriptions fell away slightly this week, as one of the major buyers appeared to sit out for the series. Price levels drifted throughout, and by the close of selling, a modest 5 to 10cents clean/kg was eliminated from established quotations.

The Crossbred sector of 25 to 32 micron continued under the sluggish demand, with prices continuing their drift downwards. Generally all types finished at levels 5cents clean/kg lower, with the 28 micron types being slightly harder hit, and losing a few cents more. Good to see though that the major buyer of these types re-entered the market strongly towards the close of the selling week.

A reduced number of bales will be up for sale again next week, with just under 32,000 bales nationwide. Fremantle will not be offering a catalogue, and both Eastern Australian centres will operate on Tuesday and Wednesday allowing the annual "AWIS Wool Week" meetings to be conducted on Thursday and Friday at Melbourne. The following two weeks are currently rostered for over 40,000 bales each, so a renewal in demand will be needed to improve prices in the short term, rather than a shortage of supply forcing prices upwards.

Industry News

According to the Cotton Inc. August report, there could be a more available supply of cotton as a result of the Chinese government policy change to cease buying cotton and building up its reserve of cotton stocks. This could keep cotton prices from rising in the near future.

There is also uncertainty on how much cotton China will release from its reserves, which could increase the available supply of cotton further for the next several years. The report suggests that cotton prices could remain at levels closer to those from 2006/07.

Commentary from Riemann

After a prolonged period of restricted trading activity on the Riemann Forward Market, producers started to revise sell orders lower to better reflect the subdued condition of the physical wool market. While traded volumes remain relatively low, 19,000kg clean of 21MPG contracts were traded with maturity in September and prices varying from 1138¢/kg clean on Wednesday down to 1125¢/kg clean on Thursday. Aside from the clear interest on 21MPG contracts, 2,500kg of the 30MPG contract was traded at 600¢/kg clean for late September delivery.

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