



WOOL MARKET WEEKLY REPORT

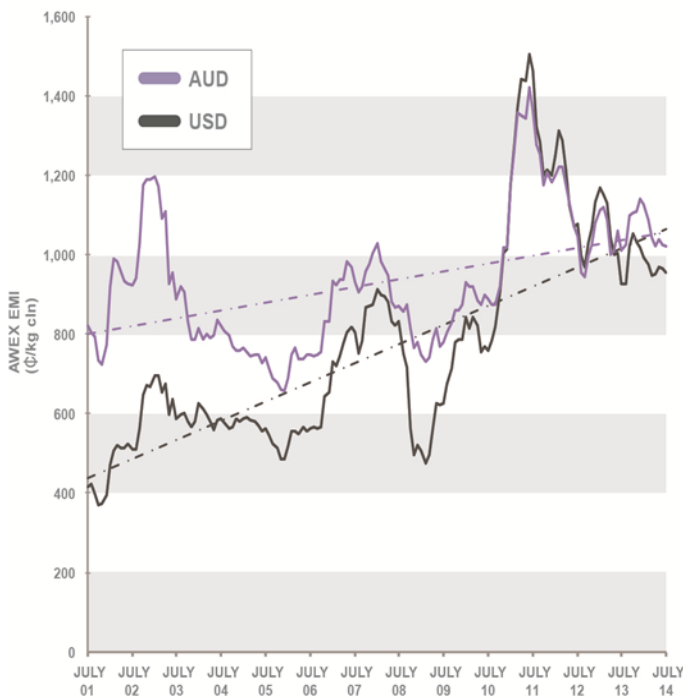
Sale Wk 11: Fri 12th Sept 2014

THE WOOLMARK COMPANY

awil
Australian Wool Innovation Limited

Offering		AWEX EMI				Currency movements		
Bales offered	36,812	AUD	1022 c/kg cln	-3 c/kg	-0.29%	AU:USD	0.9176	-1.76%
Passed-In (%)	14.0%	USD	938 c/kg cln	-20 c/kg	-2.04%	AU:CNY	5.6261	-1.80%
Re-offer (%)	8.8%	CNY	57.50 ¥/kg cln	-1.26 ¥/kg	-2.09%	AU:EUR	0.7110	+0.08%
		EUR	7.27 €/kg cln	-0.02 €/kg	-0.21%			

Monthly AWEX EMI Tracking



Sale days		Wed, Thu		
MPG	North	South	West	
17	1240n -7	1225n -8	-	
18	1211 +1	1208 -7	1157n -21	
19	1162 -13	1170 -10	1145 -17	
20	1136n -8	1139 -11	1126 -16	
21	1128n -8	1132 -4	1117 -14	
22	-	1124n +4	1102n -25	
23	-	1113n -1	-	
24	-	-	-	
25	-	-	-	
26	788n +3	788n +0	-	
28	651 +1	656 -5	-	
30	638n +7	642n -4	-	
32	-	-	-	
MC	778 +1	772n +0	781n +12	

MPG and indicator data in AU cents and sourced from AWEX

Sale week	2014/15 forecast	2013/14 actual
Week 12	46,215 Bales	48,668 Bales
Week 13	41,833 Bales	46,820 Bales
Week 13	48,700 Bales	42,492 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

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

ICAP Wool Forwards						
China Wool Type	54p (18.5 µm)		55 (21.0 µm)		424 (28.8 µm)	
	Low	High	Low	High	Low	High
Sep-14	-	-	1095	1130	-	-
Oct-14	-	-	1090	1140	625	655
Nov-14	-	-	1085	1155	625	655

AWI Commentary

Australian wool auctions struggled this week to maintain the strength exhibited in the previous week. By week's end, the AWEX EMI (Eastern Market Indicator) had fallen by 3cents to 1022 Australian cents clean/kg. Most Merino fleece types in the Eastern markets of Sydney and Melbourne were weaker by up to 10cents clean/kg by the close of selling, while the Western Australian market showed extended falls of 15 to 20cents clean/kg in Fremantle.

Best quality Merino fleece types of 19 micron and finer managed to stave off the negative trend, and price levels basically maintained at their established opening quotations while the price gap extended further between the best and worst of the offering of similar micron.

Once again the high POBm (position of break in the middle) and low strength types bore the brunt of the sale room buyers. As expected by many exporters, the buyers were exercising a very cautious buying strategy as the urgent orders of last week appeared to be filled. All Merino skirtings, crossbreds and carding types were still in quite good demand though and held their levels or managed some small gains.

The Crossbred sector was the exception in the Melbourne centre where a few cents were lost across the offering; this resulted in a closer alignment in quotations between the selling centres. The Melbourne crossbred prices still remained ahead of Sydney by the cessation of selling.

With the AUD:USD exchange rate falling dramatically, we could have expected a better result. However, a few participants were of the belief that overseas customers requiring inventory may hold off for an even more advantageous rate given the severity of the exchange rate movement. We are seeing this situation more frequently these days, where a better exchange rate can actually cause withdrawal of some orders from the market leading to weaker local AUD prices.

Industry News

China's quality watchdog, the General Administration of Quality Supervision, Inspection and Quarantine, has reported imported garments of "fast fashion" brands are substandard (the textile fibres were not specified). 12,305 cases of imported apparel, worth US\$47.7 million, were found to have failed quality tests in the first half of 2014 alone. More than 97% failed due to insufficient instructions in Chinese and 396 cases failed safety tests. Four "fast fashion" brands, Forever 21, Zara, H&M and Mango, were named in China's top 5 worst in terms of safety.

Clothing generally fails safety tests if it is potentially harmful to consumers or the environment. The major safety problem found in imported children's garments were the pH levels, which can cause skin irritations.

A large offering of over 46,000 bales is rostered for sale next week and further price consolidation around the better end of the Merino market is expected. The lowest specified Merino types seem to be out of favour by most wool-using destinations and may well continue to struggle even though the discount is increasing.

The Merino skirting, cardings and crossbred markets showed enough evidence this week to suggest they can hold near to their current levels. All indicators are pointing to a more stable demand pattern in this area as these wools are mostly destined for the woollen and knitwear sector. We can only hope that our exporters receive some good news for the Merino fleece types over the weekend, where most wool participants will be represented at the annual Nanjing Wool Market conference which will commence today and run through till Sunday afternoon.

Commentary from Riemann

As the physical wool market struggles to consolidate the gains from last week, the Riemann forward market remained quiet this week. With a more noticeable lift in confidence yet to occur, bids have been sporadic and still well below the price levels producers are willing to commit themselves to. At the moment, the lower offers available for the 21MPG contract are around the 1150-1180/kg clean mark for October until April 2015. This suggests buyers are still struggling to generate business for spring at prices just marginally above the current spot market.

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